DOCUMENT RESUME

ED 081 186	EM 011 321
TITLE	Symposium on Urban Cable Television, Volume II. Thursday, October 19, 1972. Morning Workshop Themes: Economics and Financing of Cable; Public Ownership: Myth and Reality; Programming: Community and Local; New Patterns of Minority Participation.
INSTITUTION	Cable Television Information Center, Washington, D.C.; Mitre Corp., McLean, Va.
REPORT NO	MITRE-73-11
PUB DATE	Mar 73
NOTE	394p.; See Also EM 011 320, Volume I; To be edited into a book, "The Coming World of Cable" by Ralph Lee Smith
AVAILABLE FROM	The Mitre Corporation, Westgate Research Park, McLean, Virginia 22101
EDRS PRICE	MF-$0.65 HC-$13.16
DESCRIPTORS	*Cable Television; Communications; *Community Control; Conference Reports; *Economic Factors; Financial Support; Media Research; *Minority Role; *Programing (Broadcast); Public Officials; Simulation; Workshops
IDENTIFIERS	CATV; Franchising; National Cable Television Association; NCTA; *Symposium on Urban Cable Television

ABSTRACT

Accounts of the workshops conducted during the morning of the second day of the symposium are contained in this volume. These focus on the economics and financing of cable television (CATV), public ownership of cable, community and local programing, and minority participation in CATV. Visual presentations dealing, respectively, with research efforts in broadband communications and with a simulated franchising game involving city and state officials, public interest representatives, and cable operators, were shown concurrently with the workshops. (Author/PB)

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MITRE 73-11
Volume II

SYMPOSIUM ON URBAN CABLE TELEVISION

THURSDAY, OCTOBER 19th, 1972

MORNING WORKSHOP THEMES:

1. ECONOMICS AND FINANCING OF CABLE
2. PUBLIC OWNERSHIP: MYTH AND REALITY
3. PROGRAMMING: COMMUNITY AND LOCAL
4. NEW PATTERNS OF MINORITY PARTICIPATION

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ABSTRACT

This report provides a transcript of the proceedings of the morning workshops of the Second Session, titled "Problems and Issues", of the Symposium on Urban Cable Television. The purpose of this Symposium was to discuss, clarify, and offer alternative approaches to the major social, economic, and institutional issues affecting CATV planning today with a view toward their impacts on the future directions of cable in the U. S. This Symposium was sponsored by the MITRE Corporation in cooperation with the Cable Television Information Center and was held at the MITRE McLean Offices on October 18th, 19th, and 20th, 1972.

The Workshops contained in this report are as follows: 1) Economics and Financing of Cable; 2) Public Ownership: Myth and Reality; 3) Programming: Community and Local; 4) New Patterns of Minority Participation. The proceedings of the afternoon workshops are contained in Volume III of this report. The proceedings of the first day, October 18th, 1972, are contained in Volume I and those of the third day, October 20th, 1972, are contained in Volume IV.

ACKNOWLEDGEMENT

We would like to extend our thanks to the Cable Television Information Center and W. Bowman Cutter, Executive Director, for their help in planning and participating in this Symposium. We would also like to thank the National Cable Television Association and David Foster, President of NCTA, for the support they have given this meeting and for sponsoring the reception held Monday evening, October 18th, 1972, and Lloyd Morrisett, President of the Markle Foundation, who was the General Chairman of this Symposium.

We would also like to express a special note of appreciation to the speakers at this Symposium who are listed in the Agenda which follows.

Charles A. Zraket

Charles A. Zraket
Senior Vice President
The MITRE Corporation

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A one-hour videotape of a simulated franchising game, with participants that include an actual city official, state official, public interest representatives, and a cable operator by the Cable Television Information Center at a recent conference sponsored by them.

Workshop 1) ECONOMICS AND FINANCING OF CABLE 1

Panelists: Gary Weinberg, Moderator
Paul Kagan
Edwin Hooper
Grant A. Wilson
John Annicelli
Lee Bertman

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Panelists:	Charles Tate, Moderator Richard Austin Ed Loyd Bill Wright Tony Calderon Mel Epstein Jim Taylor	

AGENDA

SYMPOSIUM ON URBAN CABLE TELEVISION

WEDNESDAY, OCTOBER 18TH

General Chairman - Lloyd Morrisett
Program Chairman - W. F. Mason

9:00 - 9:30 WELCOME AND INTRODUCTION

Charles A. Zraket, Senior Vice President, The MITRE Corporation
W. Bowman Cutter, Executive Director, Cable Television Information Center

9:30 - 12:30 SESSION THEME: SOCIAL AND ECONOMIC CONTEXT

Session Chairman - Lloyd Morrisett, President, The Markle Foundation

This session will examine the broad implications of changes in the field of communications.

KEYNOTE ADDRESSES

THE FUTURE SOCIAL AND ECONOMIC CONTEXT: IMPLICATIONS FOR CABLE COMMUNICATIONS, Dr. Herman Kahn, Hudson Institute

THE IMPACT OF CABLE COMMUNICATIONS ON THE POLITICAL PROCESS, Dr. Amitai Etzioni, Director, Center for Policy Research, Professor of Sociology, Columbia University.

WEDNESDAY, OCTOBER 18TH (Continued)

THE HISTORICAL ASPECTS OF COMMUNICATIONS: IS CABLE REALLY A CHANGE?, Professor Anthony G. Oettinger, The Aiken Computation Laboratory, Harvard University; Commissioner, Massachusetts CATV Commission

12:30 - 2:30	LUNCH, Holiday Inn
2:30 - 5:30	SESSION THEME: REALIZING CABLE'S POTENTIAL
	Session Chairman, W. Bowman Cutter, Executive Director, Cable Television Information Center
Speakers:	William F. Mason, Technical Director, The MITRE Corporation
	Paul Vischer, Assistant Group Executive, Hughes Aircraft Company
	Ted Ledbetter, President, Urban Communications Group
	Amos B. Hostetter, President, Continental Cablevision
	Henry Geller, Special Assistant to the Chairman, Federal Communications Commission
5:30	Busses to Holiday Inn
6:00 - 8:00	COCKTAILS, HOLIDAY INN, SPONSORED BY THE NATIONAL CABLE TELEVISION ASSOCIATION

THURSDAY, OCTOBER 19TH

SESSION THEME: PROBLEMS AND ISSUES

VISUAL PRESENTATIONS

In the morning and again in the afternoon, two visual presentations were available for viewing (these were shown concurrently with the workshops).

9:30 a.m. and 2:00 p.m.	Discussion of CPB's research efforts in broadband communications by Philip Rubin, Director of Engineering, CPB, followed by a Cable Television Film prepared by the Corporation for Public Broadcasting (17 minutes).
10:30 a.m. and 3:11 p.m.	A one-hour videotape of a simulated franchising game, with participants that include an actual city official, state official, public interest representatives, and a cable operator by the Cable Television Information Center at a recent conference sponsored by them.

* * * *

9:00 - 12:00	MORNING WORKSHOPS
Workshop 1)	ECONOMICS AND FINANCING OF CABLE
Panelists:	Gary Weinberg, Senior Financial Analyst, Cable Television Information Center, Moderator

THURSDAY, OCTOBER 19TH (Continued)

Paul Kagan, Publisher, CABLECAST

John Annicelli, Loeb, Rhoades & Company

Grant A. Wilson, Investment Officer, The John Hancock Mutual Life Insurance Company

Lee Bertman, Member Technical Staff, The MITRE Corporation

Edwin Hooper, LVO Cable

Workshop 2)	PUBLIC OWNERSHIP: MYTH AND REALITY - Conference Center
Panelists:	Winston Webster, Field Representative, Cable Television Information Center, Moderator
	Dr. Otto Hetzel, Professor of Law, Wayne State University; Member, Detroit Cable TV Study; Member, FCC Federal, State and Local Advisory Committee
	Jerry Minford, City Manager of San Bruno, California
	Richard Loftus, President, Amvideo Corporation
	John J. O'Neill, Associate Department Head, The MITRE Corporation
	Douglas Jarvis, Metz and Jarvis Associates, Inc.
Workshop 3)	PROGRAMMING: COMMUNITY AND LOCAL - Conference Center
Panelists:	Ralph Lee Smith, Division Staff, The MITRE Corporation; Author, "The Wired Nation," Moderator

THURSDAY, OCTOBER 19TH (Continued)

Red Burns, Alternate Media Center

Henry D. Pearson, Jr., Director of Public Access Channels, TelePrompTer Manhattan Cable TV

Doyle Dugans, Lessee, Channel 3, Flint Cable TV

Thea Sklover, Executive Director, Open Channel

John Gault, Vice President, American Television and Communications Corporation

Workshop 4) NEW PATTERNS OF MINORITY PARTICIPATION - Conference Center

Panelists: Charles Tate, Senior Research Staff, Urban Institute, Moderator

Richard Austin, President, Citizens Cable Corporation, Dayton

Ed Lloyd, President, West Essex TV Company, Inc.

Bill Wright, National Coordinator, Black Efforts for Soul in Television

Tony Calderon, Executive Director, Image Productions, Inc.

Mel Epstein, Director, Center for Community Economic Development

Jim Taylor, Watts Communications Bureau

12:00 - 2:00 LUNCH, Holiday Inn

THURSDAY, OCTOBER 19TH (Continued)

2:00 - 5:00 AFTERNOON WORKSHOPS

Workshop 5) PROGRAMMING: COMMERCIAL SERVICES - Conference Center

Panelists:

Robert Peters, Stanford Research Institute, Moderator

Amos B. Hostetter, President, Continental Cablevision

Bobbie Weinberg, Executive Vice President, Good Communications

Alfred Stern, President and Chairman of the Board, TeleVision Communications, Inc.

Frank Drendel, Operating Vice President, Cypress Communication Television Corporation

Dore Schary, President, TheatreVisioN Corporation

Dr. Robert Dunlop, RCA/EIE

Workshop 6) FEDERAL, STATE, AND LOCAL REGULATION OF CABLE - HOW AND WHY

Panelists:

John McGuire, Cable Television Information Center, Moderator

Jack Mayer, Deputy Director, Cable Television Bureau, Federal Communications Commission

Joseph W. Wholey, Chairman, Arlington County, Virginia, County Board of Supervisors; Director of Program Evaluation Studies

THURSDAY, OCTOBER 19TH (Continued)

Paul Wigoda, City Councilman, Commission on Traffic and Public Safety, Chicago

Marc B. Nathanson, Director of Corporate Development, Cypress Communications Corporation

Hyman Goldin, Member, Massachusetts State Cable Commission

Workshop 7) PROGRAMMING: SOCIAL SERVICES - Conference Center

Panelists: Carol Paquette, Member Technical Staff, The MITRE Corporation, Moderator

Thomas G. Freebairn, Coordinator of Television Projects, Deafness Research and Training Institute

Dr. Maxine Rockoff, Director, Medical Technical Unit, Health Services and Mental Health Administration

Lita Colligan, Assistant to the Director of Office of Research and Development, Department of Health, Education and Welfare

Al Seigel, Director, Environmental Factors and Public Utilities, Department of Housing and Urban Development

Stan Gerendasy, Director of Applications, Cable Television Information Center

THURSDAY, OCTOBER 19TH (Continued)

Workshop 8)	CABLE TECHNOLOGY FOR DECISION-MAKERS - Conference Center
Panelists:	Sid Polk, Subdepartment Head, The MITRE Corporation, Moderator Vic Nicholson, Cable Television Information Center John Sie, Technical Director, Jerrold Electronics Corporation Rex A. Bradley, President, TeleCable Corporation Gary L. Christensen, Hogan and Hartson Early Monroe, Federal Communications Commission
5:00	Busses to Holiday Inn

* * * *

6:00 - 8:00	COCKTAILS, HOLIDAY INN, SPONSORED BY THE MITRE CORPORATION

FRIDAY, OCTOBER 20TH

9:00 - 12:00	SESSION THEME: CABLE'S FUTURE Session Chairman: William F. Mason, Technical Director, The MITRE Corporation
9:00 - 10:30	INTERACTIVE TELEVISION: A PRESENTATION AND DEMONSTRATION, Kenneth J. Stetten, Department Head, Computer Systems, The MITRE Corporation
10:30 - 10:45	COFFEE BREAK
10:45 - 12:30	BRINGING CABLE INTO THE CITIES, William Gorham, President, The Urban Institute
12:30 - 2:30	LUNCH, Holiday Inn
2:30 - 5:00	SESSSION THEME: GENERAL DISCUSSION AND SUMMARY Session Chairman: Dr. John deMercado, Director of Communications Planning, Canadian Government
Panelists:	Gary Weinberg, Senior Financial Analyst, Cable Television Information Center Winston Webster, Field Representative, Cable Television Information Center Ralph Lee Smith, Division Staff, The MITRE Corporation; Author, "The Wired Nation"

FRIDAY, OCTOBER 20TH (Continued)

Charles Tate, Senior Research Staff, Urban Institute

Robert Peters, Stanford Research Institute

John McGuire, Deputy Director, Cable Television Bureau, Federal Communications Commission

Carol Paquette, Member Technical Staff, The MITRE Corporation

Sid Polk, Subdepartment Head, The MITRE Corporation

5:00 Busses to Holiday Inn

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WORKSHOP 1) ECONOMICS AND FINANCING OF CABLE

Gary Weinberg, Senior Financial Analyst, Cable Television Television Information Center, Moderator

Paul Kagan - Publisher, CABLECAST

John Annicelli - Loeb, Rhoades and Company

Grant A. Wilson - Investment Officer, The John Hancock Mutual Life Insurance Company

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Edwin Hooper - LVO Cable

MR. WEINBERG: My name is Gary Weinberg and I am with the Cable Television Information Center.

The panel, today, is to discuss the economics and finance of Cable Systems from present day through, I guess, 1980, a ten year planning horizon. We have a panel today, with the exception of one member who is probably delayed on the way in from the airport, that covers a wide range of interests and knowledge. We run from security analysts and publishers, Paul Kagan; municipal banking people; person, singular; Vice-President of Finance from LVO Cable, which is Edwin Hooper, down at the end. We have Lee Bertman and myself representing the non profit view of Cable or the research view, and when Grant Wilson comes here; Grant is from John Hancock, he is Investment Officer, who loans money to Cable Systems, and so we have, as I said the wide range of interests and views on Cable economics and we had kind of a charge from the panel yesterday to examine a wide ranging series of questions. Hopefully, we will not resolve of course, but, we might at least make some comments upon.

They are interrelated. The first is the whole question of "City MSO Relationships" which is "What can cities ask for?" "What should they ask for?" "How does their asking or not asking affect profitability?" and "How does one make trade-offs and negotiate till one reaches a realistic and reasonable agreement between the City and MSO?"

The second, tied into it, of course, is the question of profitability -- profitability for current systems; profitability for systems that will be built in the next five to ten years, and maybe briefly touching upon profitability of long run systems, which might include two-way and interactive systems. "What does the picture for profitability look like today"? and if it's bleak or dismal, "How are the operators going to find ways of increasing revenues? " and if we have some time, I would like to get on to some ways of raising money with the possibility of, if there exists, capital rationing in the industry, or in the market, and in terms of ways of raising money, also examine the question of "Alternative ownership patterns" and "Joint Ventures", for example, municipal bonding, municipal ownership, maybe some joint agreements between cities and MSOs, perhaps the whole area of Industrial Development Bonds.

I would like to keep each of the speeches short in the hope that the question and answer period might be more productive, in the long run. My first speaker will be Paul Kagan, Publisher of the Cablecast and a Security Analyst.

MR. KAGAN: Thank you, Gary. Before I give my talk, I would like to explain, a little bit, about why I decided to concentrate on the subject that I am going to be talking about, this morning. It's a popular subject, when discussing Cable TV, Economics and Finance, to concentrate on the capital intensiveness of the industry and talk about "how much money is going to be needed" and "where that money is going to come from" and this pops up on Economic seminars constantly, and is probably far over done, because there is a call it a game if you want, that is played in the financial community. It is played in any area in which negotiations are involved, for instance, the financial community in charge of the people responsible for raising financing who obviously are trying to raise this financing at a reasonable price, for those who are putting up the money.

The people who are trying to raise the money for operations, the companies themselves, are trying to give up as little as they possibly can in order to get that money. And you have, therefore, adversaries; the man with 10 million dollars who wants to invest it in a CATV system and a system operator who needs the 10 million dollars. They are adversaries at the early stage of the game.

The man with the 10 million dollars is trying to tell the cable system operator that he has absolutely no property worth anything at all, and he will do him a big favor by lending him the money, or buying his stock. And the man with the cable system insists that it is an extremely valuable property and, therefore, he can sell only 10% of it for 10 million dollars. At this point, there is a very real reason why the man with the money believes that money is very hard for the cable operator to find, and understanding this is a very important thing, when you are in a financing era, that we are in.

I came to the conclusion, a couple of years ago, which I wrote about at the time, and which has worked out pretty well, that no matter how the negotiations would work out, the money and the cable operators would come together, at which point their compromise would, of course, be a question that would have to do with the general economics in the country, in part, as well as certain technological developments, but basically, they would come together. And just at the time that a new wave of worry began to develop this year about where the money was going to come from, I came out and published a report that said money is no longer the problem and it is a misplaced concern in the sense that there is a tremendous number of new sources for capital financing that has become available, that it is easier for Cable systems to borrow. I mentioned this at the NCTA convention in May, and that a lot of the Cable companies, the MSOs had refinanced, in the past couple of years, during this harangue about where the money was going to come from. And now, between the internal cash flow they were now generating and the new lines of credit they were now arranging, and the better hopes of the economy, as we come out of the recession of '69 and '70, that I was not going to be spending as much time worrying about where the money was going to come from, but what everybody was going todo with it, when it all emerged.

And that brings me up to the topic of my talk today which is a discussion of the economics of the CATV system in the context of the entertainment framework that I think is going to have to be considered in order for Cable to move ahead in the large cities in the next few years. I am not looking ten years out now. I am looking at building the system in the next couple of years and having it pay as soon as possible because that is a reasonable economic expectation.

I understand that yesterday a gentleman from the Hughes interests discussed here the kind of negative attitude toward certain aspects of paid TV and I am going to give you the opposite approach.

To begin with, CATV economics require an understanding of regional economic geography because you have to know where people live, how much money they have to spend and what they spend it on. We are going to see the cable industry learn to relate the expenditure on CATV service to the families' entertainment and recreation budgets, and it is not going to be easy for the industry to do this because of a historical prejudice the industry has toward the money being paid for its service.

Let me explain. It used to cost 50 dollars to hook up a home for cable service. You got that back in installation charges immediately, and you then charged 5 dollars a month forever, and you didn't have to relate to anybody or anything. That was what they called the "golden goose", but today, it costs closer to one hundred and fifty dollars to hook up a home, and you waive the installation charge in order to make the sale, and then you have to charge more than five dollars a month, if you can, in order to make your investment pay off. And you must relate these charges to other consumer expenditures because you are now in a competitive environment where people can spend their money on other services.

Remember, in the original towns, where you were able to construct a cable subscriber for 50 dollars, and charge him 50 dollars to hook up. The reason you could do that was because that was all there was to do in that town and people wanted to do that badly. So for the moment, let's forget about selling that conventional kind of cable service where all you are bringing in is a channel, better reception of a channel, because in the larger cities that we're looking at now, reception of TV service is not the reason that a man hooks up unless he worries about his antenna blowing down and that's only a minority of the people.

The real purpose of providing cable service, in the larger metropolitan areas, from an entrepreneurial point of view, is to increase the channel choice and offer new entertainment options. Now, when you approach this concept of evaluating and investing in a CATV system on this basis, you can approach it with a pessimistic notion that you can't sell this and you can't get that. When you redirect the approach to the positive notion of "how can I get my price for the unique service that I am about to deliver, "you begin to see where the reality of cable systems in a large city begins in the next few years and let me make an important point at this stage of the game. If you approach cable television as a government entity, as a government operator, without a real concern for what I call the "bottom line", you can't get a true picture of the economics of Cable. The reason is that in this country, we permit our governments, Federal, state and local, to enjoy "hedonistic" pleasures of deficit spending, the kind which you never see in the business community. The government doesn't file bankruptcy if it has a problem. It just degrades its currency and speeds up the printing press, and therefore, the parameter under which it operates is different from private business.

When I talk about the economics of CATV, I talk about running a profit making enterprise in which the operator of the system is entitled to his margin of profit just as any manufacturer of automobiles or partner in a brokerage firm or a grocer in a corner store. So with those points in mind, let's go back to the consumer at home and find out, first, where he lives.

According to the latest census, the nation's top fifty cities contain about 20% of the entire population, but the suburbs that immediately surround them contain more than 25% of the entire population in the metropolitan areas they serve. The census also shows that for the first time in history people are going to work at more jobs in suburbs than in the center of the city. We are even seeing an increase in reverse commuting in which people who live in the city go to work daily in the suburbs.

One of the things that the statistics point to is a new relationship between consumers living in the suburbs and their going out habits. The concept of going down town is very nearly passe for most suburban adults. The mushrooming of suburban arenas and theaters has effectively reduced most center city attractions to a marginal operation. One spin-off result is that the modern consumer is accustomed to having the attraction brought to him rather than his having to travel very far to get it.

If you add to this fact, what inflation has done to ticket prices, you get the following image; in order to see a show, starring a top comedian and a top vocalist, in a suburban theater like "Wesbury Music Fair" in Long Island or "Shady Grove" in the suburbs of Washington, a man and a woman may pay 10 to 15 dollars for tickets, 5 dollars for after theatre snacks, and maybe 5 dollars for a babysitter, and an unknown amount attributed to wear and tear on the family car, and on the nerves, while getting in and out of crowded parking lots. If the couple does this only once a month, it means it's budgeting 5 to 6 dollars a week for its entertainment, and perhaps it will always want to do this.

But, perhaps, if given a choice, the family might be willing to spend less to see more entertainment under more comfortable conditions. Most likely the new home entertainment medium that CATV could deliver would not totally replace the current mode, just as TV didn't obsolete either radio or the motion picture theater. So this brings us to the crucial question concerning cable television economics. If cable is to co-exist with other entertainment media, how much of the family's entertainment budget can it expect to slice out, and what impact will it have on the entertainment budget, itself? I'm inclined to think it will provide an incremental revenue boost to the intertainment industry and this is the question, there is no doubt about it; "how much will the family spend on entertainment and how much of that budget will be spent on entertainment at home?" If we know the answer, we will also know how much can rightfully be invested in the modern cable delivery system.

Suppose, for example, the family will spend 10 dollars a month on the entertainment at home part, and we know that the operator is entitled to a 10% profit. We then know that the system will generate 12 dollars per year, per subscriber, in profits, and if it cost 150 dollars to hook up that home, the system will make an 8% return on investment annually. What's important here, at this point, is not the numbers that I just said, because you can work them around in a lot of different ways. What is important is that the subject must be reduced to these terms to have a valid discussion of the economics of the Cable TV system. Thank you.

MR. WEINBERG: I would like to kind of jump around the panel a bit. The next speaker I would like to have is Edwin Hooper, to give us some perspective, I hope, of what the industry is what the MSO is attempting to do, and how they see their problems coming up in the future.

MR. HOOPER: Thank you, Gary. There is a great line in the play "Zorba the Greek" which I enjoyed and I related to quite a few times since I saw it. You may recall that the "sweetheart" of the star of the play is on her death bed and they have, in the scene, a number of, I believe they are professional mourners. In other words, they hire the people to come and payment for the job of mourning is that when the poor person on the death bed, in this case, this man's sweetheart, breaths her last gasp, the mourners swoop in and pick up her earthly possessions, and leave. They may stay there a little bit longer but the essence of it is that they do pick up what she had on earth and it becomes theirs.

I think that, to a certain extent, there are professional mourners waiting to grab off a piece of the cable business, not on its death bed, but before it's born. I believe that, for example, as Paul pointed out, the man that is first in line is the venture capitalist, and he has to feel, before he provides the funds, to spawn the birth of this child, he has to feel that there is an adequate return, partly because of the industry itself, the cities, the educators, the librarians, the minority groups; we don't need to relate all the people who have a big stake in this business. But I think at fault is the industry itself, in the fact that we have probably oversold the -- not the capability of Cable, but perhaps the timing with which the future generation of services arise -- I frankly, when I came to this Conference, I thought that this panel, with some very hard realists, such as Grant Wilson, from Hancock, and Mr. Kagan, that we might have a rather novel or new thing to talk about here. I presumed that the panelists that preceded us would deal more with the future, the grand day when all of this arrives, but I was quite pleased that, yesterday morning, several of the panelists became very practical about how we make this second generation happen, so it took a little bit of the sting out of what I have to say. But, I think the main thing that we have to think about in talking to the cities, and the cities to us, in this franchising effort, is number one, forget the past, forget the past. The industry that has historically lasted now approximately 20 years can be forgotten in terms of assets, even cash flows to a large extent. It simply is a different business than what we are spawning today.

What we are talking about is yet to be born. We must recognize, in the past, and it has now worked to our detriment, that there were individuals who went out on a hilltop, above a town that received no television, charged 150 dollars or 50 dollars to connect, made out very handsomely, probably sold out to a MSO who is now struggling to make a return on that same property, and this was the "golden era" as Paul pointed out, of Cable Television. That "golden era" is haunting us today as we are seeking the big cable franchises because too many people, I sensed in yesterday's session, too many people really believe that there still is a fortune to be made simply by the grant of a franchise to an operator. It just isn't so.

The man that built the 6 million plus subscribers was a very tough "entrepreneur". He probably used fairly cheap and dirty construction. He probably didn't have much capital to start with, therefore, the 150 dollar hook up charge, he had a sellers market, and was able, by scratching and digging, to provide a service. The operator of today wants the same opportunity. He wants to scratch and dig and use his entrepreneurial urge to do the same thing, but on top of his entrepreneurial urge, if you will, are the mourners who perhaps are beginning to usurp some of the venture capitalist's enthusiasm for it by piggybacking on the main thrust of the business, the demands that may be asked a little bit too early.

Now, when I say forget the past, I think that it is important that the past be forgotten except for one respect and that is that the best hope for building these futures cities still remains with those companies with the personnel and the engineering, the marketing finesse and financing that has prevailed in the past. Now, the financing is obviously the newest form of the art, because there has not been a lot of sophisticated financing over the past 20 years. It was simply a good, hard, practical type of "how do I get the money" and it was effective for what it was intended to be, but it is still an art, it is not exact science.

You talk to any engineer today, you cannot draw up a set of specs and send an inexperienced man out to build it, and there is a very critical shortage of people who can do this, and they probably are the remnants of these past companies which are the basis of your larger MSOs today. Manufacturing, you'll find, I think, that the most prominent manufacturer of today is the one who virtually invented the amplifier 20 years ago. He is still around, and I think it is significant to note that there has been a number of major companies who've made a run at this business, who apparently have all the financial assets required to make a success of it, who still have barely dented the market.

It's very much an art. The sudden infusion of millions of dollars doesn't get it. It takes some time, so what we need to do is to insure that the bankers are going to provide the money which the cable operator needs in many, many millions of dollars, and I think it is a new surge of expectation. The franchisers, for example, I think should be thinking, not so much about "what can we get suddenly when this cable system begins operating", but how can we help the cable operator succeed in this town as quickly as possible so we can divide up the future of this business as quickly as possible.

You may recall -- well, yesterday in fact, one of the panelists mentioned the railroad example as a booming industry that went sick. I think that, at the time the railroads were built, a very significant piece of American history was written, in the fact that the building of a transcontinental railroad became a national priority. In order to induce the railroad to do its job, the now infamous system of giving up a checker board section of land, in a checker board fashion, down the right of way, during the Grant Administration was done, and of course, it led to abuses.

There is a railroad that went from nowhere to nowhere in order for the railroad company to pick up the land that adjoined it, with its minerals and oils and so forth. But, I think that that is that is the kind of attitude which need prevail now with the franchisers and the people involved in giving franchises, winning franchises, in order to get this thing kicked off. I am so happy that Mr. Kahn, yesterday, did point out the best way to get there the quickest is to give the people providing the capital, a tremendous profit incentive, and of course I suppose that my position on that would be easily predictable.

The need for the greater than average reward, in this business, is very real. The young aggressive management , which is now getting into this business, must have this only to compete with other types of businesses which, if the reward is not here in this business, why should he be here? We already have such things externally, not particularilý pertinent to CATV, but any business, such as your price commission, who is already hovering above if you will, making it perhaps not worthwhile to incur substantial risks in this fledgeling business when they have got a ceiling on you. Then, if the cities are hovering around, saying that we are going to limit this to 8% or 16% or whatever number you pick, it all of a sudden may become not worthwile for the companies who are fighting this battle to fight it, because the return does not appear to be there.

Only yesterday, I picked up an article that pointed out, well the headlines I'll read to you. It says that "the demand for Corporate Executives, up, but the numbers available, down", and they went ahead to explain that the reason that they are down is that many corporate executives, young people in the 30s are beginning to say; "it ain't worth it, I'm going to cop out." And copping out, unfortunately, often means going into a more comfortable, less risky type endeavor to earn their bread and butter and that is a very discouraging development.

The next point, I think that should be taken into consideration, is that let's strike the word "monopoly" when we talk about CATV. It is true that the physical attributes of a system cause it to look very much like an electric utility, or a telephone company. We happen to share the same space in the streets and alleys, but, if you will for a minute, consider the level that the CATV company is going after when you rank the consumer dollar. The CATV company competes for the discretionary dollar which is the toughest one to compete for. The man has already paid his rent, he has already paid his light bill, he has paid his telephone bill, his clothing, the essentials of life before he has the dollar left to buy CATV.

So aside from the "off air" competition, which everyone knows is much more severe in your big markets, you have the share competition for the discretionary dollar which is the same dollar the man spends for his speed boat, his country club, his pool hall, his books and so forth. It is no different than the only newspaper in town, the only pool hall, the only golf course, the only any other thing in town, which no one is dreaming about calling a monopoly. It's vying for that discretionary dollar.

Now, Paul mentioned a few minutes ago, and I have the advantage, I suppose, of following him, that money is no longer a concern. I feel it is a concern. It is no longer a concern so long as we operate in what is now a rather "walking the tight rope" position, where the lenders do have an apparent abundance today, and Grant will probably take me to task for saying that. Apparent abundance of money today to lend, and the fact that no city, today, has taken a hard line on regulating the rate of return. I think that if a city did come out and demand immediate non-profit making services to be imposed on a cable system, and also indicated there would be some ceiling on the rate of return, I think that I would have a hard time probably, finding my way to the Hancocks front door, because the equity kicker in the lending institutions is still a very important part of their overall return.

When they assess the risk reward ratio, they are looking at a coupon rate which they think the CATV company can service, but they are also looking down the road to where their equity that they are taking "kicker" if you will, is also going to bring them a relatively handsome return. The only way the equity kicker is going to give them a handsome return is if the market continues as it's doing today, to say this is a good business in the future its going to give us a good return and therefore, the stock price continues to stay up. If this were to be turned around, it wouldn't stay there. I guess to put it more plainly, I think that the rate regulation now, or even alluding to rate regulation someday, at this point, could be a very severe blow to the efforts of getting private financing for today's system.

We have talked about the importance of entertainment and leisure activities. I hope a little later in the discussions today, I'll have a chance to put on the board a little, a simple, illustration of what the entertainment and leisure activities mean to a company now, and then how they expect to share in the future revenue that will make it a really good business. The only point I'll try to make now is that this business is not a good business, if we are only going to build cable systems that give the entertainment and leisure activities as we know it today, their only source of revenue. In other words, I believe most cable operators are looking today to get there to make a reasonable return, and I don't mean reasonable in relation to the risk. I mean if they are able to cover their expenses and continue growing a little bit, but everyone is looking for the type revenue kicker which will make it a very good business, and that is yet to come. I will put the illustration on the board, I think we'll have time later.

To summarize, I feel that the best possible assistance that the city could give to themselves in terms of getting this thing going and doing the social good type services would be to place themselves in a "let's help the industry attitude" or put themselves into that attitude, no different than the city which tries to attract a shoe factory or a major concern or a big new office building. In other words, it's no different, it's the same attitude.

I must confess, however, that we find ourselves in this business, vying a little bit, competing a little bit with the cities over this goose that we hope, is going to lay the "golden egg", because it probably has been oversold, and therefore, the cities are saying "when they come we are going to do this, we are going to do that, we're going to get a good piece of this pie "and it is now necessary for the operators to haul back and say "look! we unfroze Cable. Chairman Birch gave us more channels to sell because he recognized you need the entertainment to get the cities wired, but let's get the thing built, and make it profitable, and then let's start dividing up the pie." Thank you.

MR. WEINBERG: Thank you, Edwin. Grant, would you like to talk about the money situation?

MR. WILSON: Yes -

MR. WEINBERG: I'm sorry, can I just interrupt for a second? I just got a note saying: "Is there somebody in the audience who ownes a tan Dodge with Virginia License plates CT2316?, If you do, your lights are on"; if not, I am sorry to interrupt.

MR. WILSON: The type of money I am most familiar with is long term debt, which is the type of financing insurance companies traditionally provide.

I think that Mr. Kagan said in the aggregate, money is available. Insurance companies are beginning to recognize that Cable, in general, may be an attractive form of "lending" vehicle. However, I think, that anybody who is looking at the money situation has to ask "what kind of money is available?" "what price is it going to cost?" and really "what type of borrower can get the money? "I think it is the last question that may be of most interest to you. Kind of money that, as I said, that I am familiar with in any way there is debt. Long term debt generally paid off over a 15 year period, perhaps, even a little longer.

We must bear in mind that any lender is looking at a cable deal as being competitive with whatever other kinds of deals are around while at the moment, insurance companies do have money. There are also lots of people who are borrowing money. And utilities, of course, are large users. The oil companies are borrowing quite a bit, so that anybody who is looking at a cable deal has to say "why should I lend to a cable deal, as opposed to lending to an oil company that has a nice long stable record of paying back the money it borrows, so that the range what long term money goes for now, ranges from a low of perhaps a little less than 7½ percent for a triple "A" credit, such as an oil or a real good utility, to 10 to 14 to 15% that some of the venture capitalists might be looking for. Of course, some of the venture capitalists indeed, hope to do considerably better than that.

Right now in the cable business, probably the prime is about 8½. I don't know of anybody who has borrowed long money for less than that. The problem comes, however, when you start talking about long term money for large city systems. The problem here is simply that the lender, in general, has no track record to look at. There are no large city systems which everybody agrees, are typical of large city systems. There are the San Diegos that are wonderful, the Santa Barbaras, but these have peculiar things that make them work real well. There are the Akron, Ohios the people can point to and say that's a disaster, but that has its own problems, also. So I don't think that everybody can agree that any large city system is typical, so that Leonard can't have a track record to base his decision on.

He's got another problem. In a large system more dollars are essentially at the mercy of a single governmental body. If you are lending to a bunch of small systems, you have a number of municipalities to contend with and if you are concerned about uncertainties at the municipal governmental level, you can convince yourself that you are spreading your risk by having more than one government involved in your credit. I think their regulations are changing; they are not, unless you are a real student, they are kind of complicated.

I think the average long term lender gets right discouraged trying to figure out what is happening in the industry, and finally, I think there is a lot of difference of opinion within the industry as to what really is going to make a large city system go. I think you, Paul, express -- think that the key is to increase the entertainment budget of the family and for the near term, sell entertainment. Others say that you are going to have to sell other services; still others say that you can put up a cable, and if you market the hell out of it, people will buy it because of the reception "peer group" motives, whatever.

But, again because people can't agree, an outsider, such as a lender, gets a little concerned. So, either you have to reduce the risk of the project or you reduce the risk of the borrower. In other words, you are lending not just to a large city system or you have to increase the rate to offset the risk. Now, what's happened in general, with the large insurance companies, is that they have opted for the idea of reducing the risk of the borrower. Your lending to generally, most of the insurance company deals are to the large MSOs who are backed almost completely by the classical systems, the systems that everybody can agree on, what make them work. They've been around a long time and they keep pumping out cash, and so people -- they got a track record. The lender can get some comfort from this, and this is typical of operations like American Television which has been very, very good, borrowing money on advantages basis, and is, I think, considered -- thought very highly of in the Insurance business.

Then you have an option of lending to somebody who is in businesses other than the cable business, Warner Communications which owns now Television Communications and Cyprus Continental Transmission is an example. About 5% of their revenues and less than that of their earnings come from the cable business. The rest is again in established businesses that you can look at the track record. This helps keep the rates down. Warner certainly is borrowing money from us, in this case at better prices that either TVC or Cyprus would be borrowing it.

Second view -- reduce the risk of the project. This means that you basically give the lender something more stable that he can rely on and I think here, the governmental interface come in to play. As you may know, most franchises are worded in such a way that a lender's lawyers gets very upset when they read them. A lender like to feel that he believes in Cable, in the municipality that he is lending, where the system is being built, but in the back of his mind there is also the idea that if the management which is running the system, can't make a go at it, there is a pretty good chance that somebody else can. Well, that's great as long as the somebody else is going to basically also be your borrower, and so you have generally, in a large city system, an assignment or the pledge of the stock of the company that owns the franchise or is the -- shouldn't say that is the franchisee in the town, but there is always language in the franchise that says basically anybody who -- or frequently, there is language that says that anybody who - if the ownership changes, then the local government can in fact, revoke the franchise.

I don't know of any cases where this has happened, but, one of the problems is you don't have much - again, much track record to go on. We don't know what's going to happen and this is an additional area of uncertainty, if work can be done to set up a procedure for changing managements or changing owners or franchisers to the satisfaction of the towns or to the lenders, I think, lenders can get a lot more comfort in what they are lending to.

And, of course, the final possibility is to increase the rate for the lender. This is really the only way that a large city can be built by somebody other than one of the MSOs today, and obviously, an increase rate costs the operator more money, and just as incompatible with very much in the way of a rate of return regulation, because rate of return regulation is probably just going to promote the large MSOs, in the large cities. And I believe there is a lot of feeling that this may be contrary to the interests of some other municipalities. So, I think, as an example: if a system costs 150 dollars for subscriber, the big MSO is going to pay somewhere around 17 dollars a year on that money. This is principal and interest.

If it is a small guy who is building the system, this could very easily go up to 25 dollars because not only does this interest cost go up, but the length of time that you are willing to let him pay your money back is shorter. So you not only have to look at the interest cost but also the principal return and it really works as a pretty dramatic leverage. And as Ed mentioned, one of the ways to off-set, increase the rate, is to give the lender some type of participation in the profits of the property. But this again, means that there has to be significant profits for the lender to participate in. Thank you very much.

MR. WEINBERG: Recently there has been a lot of talk by the cities of owning their own systems. Usually one of the common ways of doing it is through some sort of bonding process, and we are fortunate today to have someone who does know somethin about municipal bonds. I hope he will give us a picture of what they look like and what are the future interests for municipal ownership. John?

MR. ANNICELLI: I would like to say that although I am here to speak on municipal bonds, that my firm is a little unique in this area in that we do also the range of service from the corporate equity debt, such as the Vision Cable Company to the municipal debt. My remarks today though are just on the municipal vehicles that are available both from a municipal point of view, that is the city or the country owning it, and also from the private entepreneur owning it and what is available to him on a tax fee basis.

The only reason that, let's say, a private entepreneur would consider going tax free method would be for cheaper money, but I think you have to realize certain things about the municipal area. It is possible for a private entepreneur or industry to borrow money to finance a cable system using a tax free vehicle. In other traditional areas, the differential between corporate debt, let's say, and tax free debt, or similarly rated type of bond, is approximately $1\frac{1}{2}$ to 2 percent. This can hold true for cable television. In those cases where the corporation, who is doing the financing, has a background, and the cable TV is just a portion of his total corporate operation, the problem that does arise in the municipal market is that traditionally the municipal buyers are a very cautious breed of person.

As Paul mentioned, well the fact that we can go into deficit financing, in the municipal area, only the Federal government prints money, the counties just issue more debt. But the fact does remain that it is very infrequent that a municipal debt goes into default. At this point, in the United States we are only talking about two major defaults the "Chesapeake Bay", Tunnel Bridge and the "Catamont Skyway". The West Virginia Turnpike is now paying for itself on a flat basis. So, with a history like this, they are very cautious buyers, and when you are looking at floating debt from this type of a view, the issuance of debt, although on a tax free basis for a corporation just to do cable TV, you are going to have to pay a premium.

The other thing is the municipal market. Today it is increasing by about 25% a year, where today we will go over 30 billion dollars this year in municipal finance, and you are competing for dollars. And if you are competing, and you are not exactly an electric utility, or water system, it is, let's say, a more luxurious type of item where you are competing with other things. You are going to have to pay a premium. Where that the market is, we don't know, but we do think that we are approximately at the point where we can take an industry and float long term debt now, for a cable TV system.

The various methods of municipal ownership, I would like to take them (a) from the municipal point of view, and then bring it down into industrial development bonds. A municipality can issue corporate debt to do a cable TV system in several ways. If there is absolutely no background, and they just want to put the system in as a public service, they can issue general obligation debt. That is, they will pay for the debt out of the general funds of the municipality. It bears no relation to the system or the operation, or the number of subscribers. The annual payments for the debt, which was used to finance the system, are paid for from the general tax rolls. This would be called the general obligation.

The other way in which a municipality can issue debt is on a revenue basis; that is, that they can borrow the debt in their own name, and issue bonds in their own name, but backed only by the revenues of the system. In this particular case, and this is the case where we feel we are ready to take one to market, if we had the opportunity, the debt is backed by some sort of a rate study, or a substantial presubscription drive before the actual finance. In addition, in this case, we would like firm construction bids on the system itself, so that in the issuance of the bond based solely on the revenues of the cable TV system, we can project (a) the number of subscribers and (b) total amount of construction so that we can show a certain securities for bond.

If this is not possible, or if the revenue figures do not project for a satisfactory coverage, then the municipality (a) can either back it by a general obligation, in which case you'll get a double barrel bond or (2) it can back it by other revenues. For example, in certain states, Florida, the local municipality can issue revenue bonds for a cable TV system backed by the franchise tax on the electric utility bills which it receives. This also can be done, and doing this approach, you are using a main steady source of revenue for which there is a financial history, and which will show some financial integrity. The risk of doing it this way, backing it up with an alternate revenue, will allow you to get a better rate, because the buyer is more used to this type of the revenue that you are pledging.

The other area I would like to touch upon, which I felt would be of more interest today, is the industrial development bond. Under the Federal rules and regulations, the Internal Revenue Service will allow interest payments on bonds which are issued for industry to be exempt under certain exemptions. In other words, you can issue a bond for a cable TV corporation which is tax exempt, even though the corporation is a profit -oriented corporation. It does not have to be a not-for-profit corporation. It can be a profit corporation. The problem that does occur is the exemption that is open in this area, it states that you cannot borrow more than 5 million dollars, for a three year period, and in addition to that, you cannot exceed a 5 million dollar sum for equipment and machinery in the area of the local governments which issues the bond for a three year period after the bonds are issued, and three years before.

How this works would be, the corporation would approach, let's say, a village or a county, or a city, and ask them to issue an industrial development bond in the city's name, backed by the credit of the corporation. The city would have no obligation, under the bond. It would be strictly a financing vehicle.

The bonds are marketed in the name of the corporation; the corporation is the security for the bond. The bonds are issued by the city, or local governmental entity, and they are only for that area in which the governmental entity is located, so that, for example, you cannot borrow, using the city of Jacksonville, Florida, as an example, the borrower using the city of Jacksonville Industrial Development Bond, and then use the money in Miami Beach. You would have to use the money in the city of Jacksonville, Florida. In addition to that, you can borrow up to 5 million dollars for the system, but realize that for three years after the date of the bonds are issued, and three years before the date that the bonds were issued, you cannot spend more than the 5 million dollars for equipment and machinery so that in the New York city situation, or a large metropolitan situation, this type of financing vehicle could not be used.

In this area, though, there are certain exemptions. The exemptions are for water and sewer, for electric energy, for gas generation, and I, just like to plant in you minds that you may want to discuss with the Federal government the cable TV systems being put on a utility type of basis and also being -- that there be in the rules and regulations an unlimited exemption for cable TV, in the same way that there is an unlimited exemption for tax free financing for a water supplier and electric utility.

The way in which the Industrial Development Bond is issued is such that the title to the facilitiy, the equipment and machinery, rests in the corporation, at the end of the debt period. In other words, if you go to the Industrial Development Bond route, there is no questions that you are not going to own the system.

At the day of the issuance of the bond, the leases are signed whereby you rent the system during the bonding period, but at the same time there is also a purchase agreement signed and put in escrow with the trustee, so that the date that the bonds are satisfied, you take title. From a depreciation point of view, IRS, in those circumstances considers it an installment sale and you can take the depreciation and they recognize you as the equitable owner.

There is a new vehicle in some states which is called an installment sale and under this concept the cable TV and the machinery can be owned immediately upon the bond's being issued directly by the corporation, so that you do not have to wait for that period of time till the bonds are paid off. This is a new vehicle in the industrial development bond area. Approximately 18 states have it and not the whole 50.

The one crux of the whole matter in going the industrial development bond route though, is the security. As I previously mentioned, with the security, there is no problem if the CATV operator is a corporation, and this is one of his subsidiaries, and he is willing to pledge the full faith and credit of his corporation behind the bond.

If the CATV operator is -- this is his only business, it can be issued if he has an operating history and successful operating history, but realize that it does open up the risk.

In relation to the municipal type of ownership, I just wanted to point out in closing that North Carolina is the one state in the Union today which specifically allows municipal ownership under state law, and you don't need the question of "is it a general public purpose?" In North Carolina, the law specifically states that municipalities can own and operate CATV systems. In several other states, in discussions with bond counsel, they have brought up the question of whether or not this falls into public purpose.

In New York, we have an opinion from bond counsel that it clearly fits the public purpose, but in those states where there is not this specific law, such as in North Carolina, and there aren't any, at this point, the public purpose is a problem Thank you.

MR. WEINBERG: The fourth speaker is Lee Bertman from The MITRE Corporation, and I think Lee would perhaps like to take the city's perspective on some of the whole questions of economics and financing and examine. I would like to hear what the cities themselves are looking at and what are some ways for the cities to look at Cable systems. Lee--

MR. BERTMAN: Well, I think from the remarks in this panel and the remarks yesterday that it is fairly clear that Cable is still very much an entrepreneurial business. It certainly is not a quick buck business. It was a couple of years ago. It progressed, but on the other hand it is still -- it isn't Ma Bell yet although, yet although, perhaps, it will be at some later time.

I think that some very good advise has been given, namely, when a city evaluates prospective franchises that it certainly would be very foolish to ask for blue sky type things, either in terms of percentage of the gross, or in terms of enormous amount of free services.

And this gets into, I think, a very important issue for the economist and I think certainly for the citizen and for the governmental member involved, namely, if you ask a franchisee, a prospective franchisee, to give you some type of free service, it really isn't going to be free for the subscriber. If you ask for some type of free hookup, this will almost inevitably be reflected in the rate that will be charged for other services. Now, perhaps, in the case of hooking-up schools, for educational purposes, this might be thought as reasonable, since the tax would essentially amount to a sales tax on the person who decided to purchase the services of cable TV. But, you may ask yourself, why you would want to put a sales tax on TV -- on cable TV for this specific purpose.

Now, I think, one thing you have to look at quite carefully is "do you really want to finance this type of thing, this way?" because if you are getting these services for so called "free" and there really being a sales tax, in many cases you don't know what they're really costing you. And I think this is a very bad thing, because, essentially perhaps, the services costing you 20 thousand dollars, you don't know about that. It's reflected in charges, but it may only be worth 5 thousand dollars to you if you had to explicitly take a look at this. So this is implicit financing without reference to cost and benefits, which is very poor economics, indeed. So where do we go from here? I think that a city is faced with an enormously serious challenge in looking at prospective franchisees.

The first thing I think you must look at is "do these people have the capability of installing a system that meets technical qualification"? If the applicant does not meet this very important criterion, I think you simply must say that this is a person or an organization we must not consider, and I think, in this respect, you have to look at their past track record, as it is called in the finance business, and you also have to look at their capability of raising money to undertake the work.

An unfortunate aspect of Cable has been the trafficking essentially in franchises. This is going down to some extent, but what it amounted to is: I go in, I get a franchise from City X and then one way or another I sell it and believe me, it is hard to stop me from selling it. There are all kinds of legal maneuvers, so you certainly don't want to get into that position. You want a solid citizen who is willing to build a system that is of good quality, but, if you can get over this hurdle, and I am not minimizing this as a hurdle, I think it's a very serious one, then you have to ask yourself, well, what services do we want them to provide for "free" and what are reasonable rates for them to charge for the services for which they charge.

I think, as an economist, that as much as possible, you should have few free services and when you get these free services in the contract, you ought to really know what they are costing you, so that you make this choice explicitly rather than without knowledge as to the cost benefit relationship. But, then you are faced with a very serious issue, which I think, almost nobody has touched upon in these last two days, namely, "how do I know if they propose to charge 6 dollars per subscriber, per month, or 10 dollars per subscriber, per month" and whether this is reasonable, or not? And I can say for my experience and looking at two-way, trying to analyse the economic and financial aspects, this is a very difficult question.

The most difficult part is not making the calculations. It is making them over and over again, and it relates to uncertainty. A system that may have a reasonable charge of 6 dollars, if it had reached a certain penetration in a certain way, may yield the same rate of return if you charge four dollars. The penetration is better, and in the case of big cities, this is certainly a great unknown. So, my suggestion here is, perhaps, a little self serving, but it appears to me that a number of people have developed various capabilities of dealing with this, sometimes on an automatic data processing basis, where you can feed it various assumptions as to cost, as penetration, and so on, and find out what reasonable charges are. Well, this is not fool proof, and this does not help you very much, perhaps, on knowing what assumptions to put into it, but at least it tells you what the results are, based on various assumptions.

And I would think that, between the applicant and the city, it might be a very useful tool for communications. It would allow you to say, "look! here is your cost to capital that you have to pay." You want, let's say a 30 percent rate of return on equity. You say it costs this much to operate, and you say you will get this penetration. This thing comes out with

6 dollars. Well, this is some information. On the other hand, if the entepreneur approaches you, and simply says "don't crimp my style, if you push me to hard I won't be able to do it", you don't know anything, really, but he is right. He is right that if you ask for too much or if you ask for too low rates, he can't do it. But, on the other hand, I think, this type of tool would be a very valuable communications medium for cities to use.

I didn't want to minimize the engineering aspect, namely, you also have to know very much if this outfit is capable of doing the work, and you have to take a look at the work they have done in the past. There is a great deal of difference amongst the capabilities of cable systems installed. Some of them are pure junk; some of them are quite good and perhaps, most of them are in between. It is a little harder these days to be caught with pure junk, since there are minimal FCC requirements, but nevertheless, you have to realize that you are probably going to have to pay for quality. But you may pay for quality and not get it. Therefore, I think, it is very important that you have some type of assessment by competent people. And there are many competent people in this area. Not a great many, but there are enough to go around, to find out if the work they have done in the past is in fact competent and something that you would like to have installed in your community. If you can pass that, and if you can have a discussion, on basis of real hard numbers, and here I am being hard-nosed from the city's view point, I think you may get semwhere in evaluating franchisees, prospective franchisees, and know, in fact, if what they are asking for is reasonable.

Secondly, you get into the question of what is happening in the future. From the entepreneur point of view, if he is thinking about a 20 or 30 percent rate of return on his capital, he isn't worried, very much, about what is happening ten years from now, because as you are probably well aware, the present value of something at that rate of return, ten years from now, is almost nothing. He is worried about the near term future, the next five or ten years.

On the other hand, if you are going to install a major system which has an economic life of perhaps 20 years, you, as a member of the city government, and the citizens also, must be concerned about the future, and one of the perhaps short comings of this Conference is that we have not discussed future technology in great enough detail. If I were in a city right now, deciding which way to go, I honestly would not know, because the advances in this area are so great. But I would like to touch on one thing that has been pointed out. The reason the big cities are not all wired up right now and going strong, is because Cable has very little to sell in big cities, other than, let us say, in a place like New York City, where reception is bad because of milti-path interference, because of the tall buildings. In Washington, there is preciously little to sell because you can get Washington and Baltimore stations.

It would appear to me that the biggest thing Cable is going to have to sell in the future, and something which we know very little about today, is in fact, "Interactive Cable Capabilities," and I think that these capabilities are not going to be so much in the area, initially perhaps, of delivering it to the home to play games with, or perhaps social services. I think they are going to business type things, I think, as Herman Kahn said, "they are going to be professional accesses to data bases and so on". And, it seems to me that when you look at a franchise and you look at this, you ought to think of this very seriously, see what is the cost of having a two-way capability even if you don't put it in now. It is not enormous; it is perhaps 20 to 30 percent and what are the benefits of it? Now, if you lay Cable in a big city, especially if you start to go underground, there is an enormous cost of digging it up, so if you are from a big city, and a lot of its is going underground, you had better put the best capability possible underground, if you ever want to have two-way in at all, in the near term future, like 10 to 15 years, because you can't afford to go and dig that whole thing up and put it in again. It is very uneconomical.

I don't know exactly what to tell you about two-way. I can give you some very brief results and I hope we can discuss this later. Our indications are that a two-way system, and I have to describe the capabilities after this informal presentation would cost something on the order of twenty dollars per subscriber, per month. The services that could be offered are enormous, and they are completely undeveloped, so I think the financial people on the panel would be horrified at the though of putting something like that in. Yet, I think it is the wave of the future, and even the wave of the future in 5 to 10 years. Maybe their horror at two-way is simply that the capital cost of the two-way system, instead of being one hundred twenty dollars ($120) per subscriber, is more on the order of 5 to 6 hundred. It is like telephone - and to the extend that two-way systems do come in, I think that they are going to look more like Ma Bell than like the MSO's, and to the entrepreneurs around today that is perhaps to some extent the reason they are horrified. If they grow into being Ma Bell, they will be much less horrified. But you certainly have to look at this very seriously.

Now, for a city that is looking at a franchise today, I would say put in a minimal -- put in a two-way capability to which terminals and other devices can be attached, a big city especially. For a small town, where everything is going above ground, it perhaps does not matter as much.

I think I will end at this point. I hope that in the later time in this panel we will be able to discuss the future a little more than we have done so far simply because I think that we are going through a period of enormous change which is being resisted by the industry, simply because it is so much a change in changing the structure. And a lot of them, a lot of the smaller companies are going to go out of business. But, it is certainly crucial that we look upon this from a longer run point of view, for at least 10 years, from the point of view of the major investments going into the city and what they will be stuck with 10 years from now. Thank you very much.

MR. WEINBERG: What I would like to do, rather than summarize now and get the questions, is take a very brief coffee break, and come back. And I'd like to raise the whole question of "Do we tend to see ourselves as one dimensional, the cities perspective on operator's, operators' perspective on the cities and Milton Freedman's argument, there is no such thing as a free life, to see what that leads us to.

(There followed the 15 minute coffee break)

MR. WEINBERG: I hope that the questions that we will get from the audience are of sufficient interest. Ask either embarrassing or relevant questions. I am going to take my place as moderator, and use my prerogatives of asking the first question and then we can let everybody else do it.

I guess it is either to Ed Hooper or Lee Bertman, depending upon your perspective, but I wonder if the cable operators, themselves, don't have some sort of a new kind of rock in hard place argument going on? I wonder if the current trend towards cities' looking very closely at municipal ownership might not be a reaction, or an over reaction, depending upon your perspective from either the overselling of the capabilities of Cable, which you will admit has occurred, through the fact that you know, and a great deal of the people in the audience may know that the "golden era" is over. But cities don't and you are telling us that it's time for us to get started on the road toward cable systems, some other points being that before the freeze, there were such things going on as 20, 25 percent fees for cities off of gross revenues which has been cut back significantly now. And the fact that the room for negotiation by the cities is indeed limited. They really can't at this stage of the game ask for more than one educational channel, one government channel. They can play some games with public access facilities, public access studios, maybe some hookups for schools, some hookups for hospitals and government facilities.

You know, is there, indeed, some room for negotiations on some basic types of services that the operators could offer without getting hung with exorbitant fees, without getting hung with exorbitant demands and requirements from the cities? And if there is no room then that may indeed explain why the cities are looking to own the systems themselves and not necessarily under a profit motive investment, you know. Municipal ownership can cut two-ways also, either the cities look at it as the "golden era" and they are going to make all the profit, or the fact is, that they are convinced because of the salesmanship job, that municipal ownership is, indeed, a very powerful force for social benefit. And that they see it as powerful a force as the education system, which indeed does not make money in the school system, and they are willing to subsidize it out of general funds of the city. It is a long and complicated question, but why don't you start to kick it off and see what the people in the audience have to say about it.

MR. HOOPER: Gary, I think that, again my answer would probably be predictable. I have a hard time, aside from being a businessman, a profit-oriented businessman, I have a hard time swallowing, I think, as a citizen of a city, having a general obligation bond paying for a cable system, when my garbage collection is not satisfactory, or perhaps, the city's educational system is not up to standard, when I feel that there are alternatives, from the private sector which would, on a venture capital basis, do a better job probably because the profit incentive is there, and it is not a --well, I guess that's about as basically philosophical as you can get.

It simply appears to me that if a private venture capitalist is willing to get into the business because of the profit incentive and do a job that probably can be done better than it can be under municipal ownership, then he should be the one to do it. And if the business has been oversold, and I think it has been, then the cities would be well advised to look very hard at the second generation getting here before the first generation has gotten here, and that is based on the entertainment that Paul is talking about. I think that has to come first. Chairman Birch recognized this. He said, you know, we are going to let the cable company import a little bit, do a little bit more in the entertainment way because once we get the pipeline into the house, into the home, well, then we can do all these other things.

MR. WEINBERG: But, it still remains that under a profit grant that MSO sort of arrangement the cities still are looking for some freebees, whether they are free or not, you know, and there is still some room for negotiation. The question is "how does one look at it, how does a MSO look at that?" You are not going to go in and win a franchise just by telling the city you are going to give them whatever the FCC says they can have and no more. There has to be some room for bartering or trading or negotiation and you know, how do you determine this, how do you determine what is realistic, how should a city determine what is realistic to ask for?

MR. HOOPER: I am not sure. Now, I can state that in asking for franchise applications, there are cities who, speaking for my company, upon receipt of the franchise application, we have simply given them a "no thank you" because what was being asked for the restrictions in the invitation, simply were not -- there was no way that you could make a profit. If you had agreed to him, you would have been -- it would have been certain to fail -- or you would have to have gone back to the bargaining table. You would have been bargaining in bad faith, under the guise that you get it at any cost and then you do what is necessary after you get it to make it thrive.

MR. WEINBERG: I am not denying that there are excesses on both sides.

You seem anxious to answer something. Would you stand up and give your name.

MR. ALBERT: I am Frank Albert from Meyers. I just wanted to ask Mr. Hooper why LVO bid on the Arlington Cable franchise? What was it about Arlington that you felt would make it go?

MEMBER: What's the question?

MR. WEINBERG: Please go to the microphone.

MR. ALBERT: The question is addressed to Mr. Hooper and I wanted to know why LVO Cable bid on the Arlington Franchise and what there was about Arlington that he felt would make such a system viable?

MR. HOOPER: Arlington has rather a unique density situation, Mr. Albert. As I recall, and please don't hold me to these numbers, I believe that they have a density somewhat like 300 homes in a mile, or 250 to 300 homes in a mile. The average density, and I have checked with some other companies besides ourselves, in the traditional system, is somewhere around 80 homes in a mile. You can see that the economics of wiring and serving a market, which has a slight amount of traditional type service requirements, that is, you do have some signal reception problems, plus the three times the density per mile aspect, changes the economics around to where you can afford to go into a market which, even though it has adequate reception or adequate signals available, you can still, because the lower cost per home make a good go of it. But I think the important thing here is that I believe that almost every operator is looking to the traditional entertainment type service to barely pay the bread and butter, barely pay the grocery bill, until the additional revenue kickers can be instituted.

For example, if you have, and I've frankly forgotten what our rate bid was in Arlington, but if you have, let's say a 5.50 rate, you probably can barely make it and it certainly should not attract any venture capital on what you can make from that 5.50 rate, let's say. But, for only one dollar and a half more per subscriber, you likely can make a very nice return, and we are waiting for the day that Paul Kagan has pointed out here, when the average home does pay that buck and a half per month, on a pay cable basis, or some other revenue incremental basis, that makes it a very fine business, that must come, or we are in the wrong business. We cannot be a television reception business without increasing those rates and making it a good business. Arlington was a fairly unique situation because of this density.

MR. BERTMAN: I think one of the interesting things, when you start discussing municipal verses private ownership, is that I don't think it's as black and white as that. I think that there are many, many things in between. For instance, if the municipality owns the system, perhaps they could get some MSO to help in constructing it, or even managing it, and they might be able to come to some favorable agreement as to, for instance having municipal bonds finance it which is very, very nice.

The city might say, "well, look, you don't want to bear the risk of some special type of service you are putting in, let's say like two-way, so we're going to guarantee that we will lease the channel and institute our own two-way on a common interior type basis. So it seems to me we are talking about a spectrum from not only top private ownership, but private control and origination of all services, all the way to the municipality owns it, controls it, decides what to charge and all the services that would be provided.

I think that, from my viewpoint, in my background in economics, I think that wherever possible the profit incentive ought to be there, but it ought to be there not so much in terms of making an excellent return on capital doing well, but in keeping costs down, and being very realistic in terms of the type of services you are asking for, something I talked about just a little while ago on knowing, if you ask for a school to be hooked up, exactly in fact, what it is costing you.

MR. KAGAN: You know, I would like to try and fill a vacuum that's been going on in this discussion. This panel is here to discuss the economics of cable TV, and in another room I understand they are having a conversation now about "Municipal versus Private Ownership" and why that should be done. We can address that part of the question from the economic sense. We talk about "municipal versus private ownership" to a great degree in the context of "how it can be affected", but you have to go back and ask "is there a basic economic justification for municipal ownership of a CATV system"?

This is what we are here to discuss, economics and finance, and in considering that the environment in which we live is one in which the large cities of this country are not looking for additional services to provide, unless they can alleviate their own financial problems. We, therefore, must reason that the only economic justification for municipal ownership of a CATV system would be because there is enough money to be made. That it would be possible for the city to help subsidize other services which it cannot do today, and that brings us back to a discussion of the "profit and loss" operations of a CATV system.

It raises a very very important question of "how, in the context of trying to pull more money out of a CATV system, to subsidize other municipal services". You can discuss, very much, non profit making services that the city, in running the system, would provide. Now, let me go back over that again because I think it is a very important point.

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If the city is going to run the system because it can provide a better public service than a private company can, I think everybody would have to acknowledge that it is probably going to cost more to do that, and this is going to bring down the amount of money that the city can get out of the system in order to subsidize other services, which is the original reason, really, for running the system. If the city is going to run the system at a deficit, or detriment, if it is going -- if some city, somewhere, is going to turn around, ten years from now, and say to the Federal government or the state government "we need help to subsidize our system" the way it is happening in education, then what was the point of it all. I think that is what you have to zero in on and end up talking purely about the "profit and loss" statement of a city.

This brings up a question that I've had, I've seen it in the Dayton study that Rand did. I've seen it in MITRE study, questions of rate of return and what these systems can really produce. In the MITRE study, for instance, there is an extrapolation you can do that shows a projection on a cable system 10 years out, in a major city, in which something like 60 percent of the incremental revenue to the system, beyond its regular space of five dollars ($5) a month service revenues, 60 percent flows down to the cable system in order to be able to have an adequate discussion about municipal versus private ownership.

MR. WEINBERG: Your name and some identification first?

MR. ROSENBAUM: I am David Rosenbaum. I'm at MITRE and I've had -- I should say that first of all, that I have not in any way been associated with MITRE's Cable TV effort, but I have been associated with the Cable TV industry for some time, both from a technical sense of design and also from the town sense.

I would like to say that I already have made some of these comments to Mr. Hooper, but I think they are worth making in general. I think that the towns and cities are simply not going to consider cable TV like the railroads were considered. Quite to the contrary, I think. There was a great need, and an enormous national desire for the railroads one hundred years ago, and I think that there is an enormous apathy, as I think somebody pointed out yesterday, towards cable TV. I think the attitude of many towns is now, and many more will be shortly, that they just as soon wait for the second generation. They just as soon wait five or ten years. They don't care. I think that many towns, if they come up for franchise, and simply no franchise is given out, I don't think there will be any citizen reaction at all. I think people will say, "fine".

Secondly, I think that cable TV has been driven by venture capital for so long that it is very healthy, the financial shakeup that is taking place, because it was driven by venture capital. For so long, the technical standards of the industry were extremely low. They are the lowest that I have ever seen in any industry, and I guess the industry itself, is coming to realize they can't do that anymore, but the result is that many systems, perhaps most in the country, don't work very well.

The third thing there are two more short things that I would like to say. I think that one of the real needs in financing, and I've had some association with Wall Street in these kinds of things, is for greater technical knowledge within the financial institutions. I know that is true of Wall Street houses. I don't know, specifically, about the life insurances companies, but I would guess it is so. I think they are usually put in a position where they simply look at projections and past records, and where there aren't very many past records, they really look very heavily at projections, and the projections are made to be anything that they want them to be, although they know that. In a sense, I don't think it really gets to them and they feel all sort of a little uneasy about it, and they don't have generally anybody really very competent to call on. And that is a very serious situation both for them and for the industry, and I hope they will rectify -- they will have to rectify it sooner or later.

From the point of view of the town, which I have been involved with, and cities lately, I would like to say two things: One is what is the rush? if the real thing that makes a cable TV system go is the second generation, let's wait for the second generation. In any case, what is the rush? It isn't something that the town really needs, like they need electricity or transportation.

The second thing is: my own attitude is, in general, municipalities should go the following route. They should hold public hearings to determine whether the city needs the cable TV system, and if so, for what purposes? Then, on the town's own money, they should have, by someone competent, and there are as Lee said, not many, but enough, competent people to do this kind of thing. A set of different, literally, blueprints drawn up for systems for the town, at different cost levels to do different jobs. They then should make the decision, seeing what they can get for what cost.

But still, the great unknown, of course, is who is going to subscribe, and that's just pie in the sky. Nobody really knows that, but given that they should then make a decision as to whether they want to have municipal ownership, whether they want to give out a franchise, or something in between, and having done that, if they want to give out a franchise, they should then take bids from companies on this set of alternatives. I agree with you. There should be as little free service as possible, but in terms of what the town can get, maybe flat cash or something, you know, to do the job that the town wants done.

The last thing that I would like to say is that once you put a system in, it is very naive to think that (1) it meets the standard of the FCC if you have not checked it out yourself, because even if the design meets them, unless you check it out after it is installed, it may very well not. In fact it probably doesn't, and you may want to put in stiffer standards and (2) it is naive to think that if it meets it now, it will meet them four years from now, unless you watch that it is kept up right. The idea -- my own feeling is that tests ought to be worked out in the franchise which call for technical testing at either set or random intervals, and penalties built into the contract which the company has to repay the subscribers automatically, if the system falls below certain technical standards.

MR. WEINBERG: Ed, do you want to comment on some of this?

MR. HOOPER: No, not particularly. I notice several people in the audience had a reaction to Mr. Rosenbaum's statement.

MR. WEINBERG: Will you stand up and come to the mike? Do you want to come to the mike and say who you are, please?

MR. MARCHAND: I am Crayton Marchand from Louisville. I think it is a mistake for any city to think about public ownership in terms of a profit making adventure. I think -- of a cable system, I think, if you are thinking in terms of public ownership, for that reason, you have missed the boat. This money ought to be reinvested. The whole idea of public ownership being that you can get more services by reinvesting profits, hopefully, back into the system, rather than turning it over to stockholders or, you know, you don't have to answer to stockholders. But, to build a cable system with the idea of using it for other services, I agree with Mr. Kagan on that point. You are not going to get them, because the cable company is the first company that you are going to look to for revenue. Because if there is revenue, you are going to be claiming that for other city services that are more demanding, so if you go into that, with that idea, it is a big mistake.

I did have a question though for Mr. Hooper. You say to a city "let's get this system built, and then we will divide up the cream". You know, I did not quite understand how that is going to work, and what guarantee for city officials is there that in the future, you know, we will have this opportunity to do this?

MR. HOOPER: I think to rephrase my statement, the job to be done now is to build the highway into the home, and I think that the FCC has the right attitude, when they recognize that you give additional channels, imported channels and so forth, to get the highway built, and before we over legislate, over study, and so forth, the future service, let's do it at a time when the CATV operator is in a position to seriously put the thing into effect. The two-way, the social services, the educational services, at a time that he is now prepared to do so. I think the point that I am trying to make here is that let's not impose before he has even driven a spike into a telephone pole; impose those things which can only add gloom, if you will, to the prospects of its succeeding. I guess rate regulation is the most fearsome, not so much the services, but rate regulation, which could dry up the venture capitalist very quickly, and we would never get the highway built.

MR. MARCHAND: How do we know that we are at a point where we can start doing some of these magical things which the system ---

MR. HOOPER: I think that is a subjective thing. The city certainly has, in its permit granting authority, in almost any case. I know of none now where they don't have the right to come in and - a subjective thing - determine whether the company is making an excessive return if they are in a position to do these things.

MR. MARCHAND: I have tons of questions, there is just one more.

MR. HOOPER: OK --

MR. MARCHAND: I think it was Mr. Bertman who hit on it. Many people feel like the real future of Cable is in the transfer of digital information quickly, for the cities, more so than entertainment. This is really the real future for the real value supposely, to the community. When can we expect -- will a cable operator develop that type of capacity, or is public ownership the the only way to see that that type of activity come to fruition?

MR HOOPER: Let me make a comment. I wonder if we are not talking of second versus third generation cable systems and lots of people who see Cable as a socially productive force are going from where Cable is right now to almost the third generation, and the operators say "well, it may be capable of doing that, but we can't revolutionize. In terms of technology, the advent of two-way filters and amplifiers really only exist in some limited demonstration programs, and I think what they are saying is let's make the transition gradually. Let us go from where we are now, which is still capacity constraint, to the stage where we can start talking of advanced one-way, or even simple two-way stuff, such as pay subscription, pay TV, and sports packages.

MR. KAGAN: Are we talking about second generation?

MR. HOOPER: I think there is a fundamental difference in technology between advanced two-way interactive systems and the next level of technology that is coming up right now. I am not building cable systems and ----

MR. KAGAN: I attended a seminar, in New York, on August 30th, 1970, which was a telecommunications seminar, which AT&T announced its plans to build a digital data network. That was the first time they ever said anything in public about anything like that. They talked about digital data for ten, twelve, fifteen, twenty years, but they never said they were going to do it, and they did it. They announced that they would do it because another company, called Data Transmission Company, said first that they were going to do it. At that seminar, there was not a single representative of the cable television industry, not TelePrompTer, which is the largest company, all the way down to the smallest company in the industry.

Shortly after that, I started a news letter called Datacast to serve that particular part of the communications industry, and I can tell you from looking at the subscriber list, who in the cable television industry is interested in transmitting digital data. The fact of the matter is that there is a separation between the digital and video, in the technological sense, and in the personal sense. There are some companies that are making the bridge from one to the other. Ed Hooper's company, is one of them. They have a subsidiary that is in the business of establishing a microwave network for the purpose of transmitting, not only video, but digital signals. There are only a few companies in the cable industry that have directed any of their energy, any of their capital toward this end, and you cannot say at this point in time, that the cable industry is very much concerned, as an industry, with the provision of digital service. There are some people in it who would like to do it, but they don't represent the whole industry, and as a matter of fact, at this point, the majority of the industry is most interested in just getting video signals into the home, much less data signals all over the country.

A PARTICIPANT: How do you define digital signals?

MR. KAGAN: Well, the digital technology and its use in transmitting mostly business information, which is the first market -

A PARTICIPANT: How about subscribers? Would you consider that digital?

MR. KAGAN: Well you are talking about a very primitive form of digital response. The impulse needed to send a signal back from the home, back on a two-way cable system, is about as far as the cable industry has gotten, and as soon as you get into computerized, totally computerized systems, you get into a technology the cable industry has not investigated to any great extent.

MR. WEINBERG: Why don't we sum up briefly. Just comment briefly and then we will get back to the questions.

A PARTICIPANT: I just wanted to mention that the cable companies are not, I don't think, overlooking the possibility, for example, we have some very fine data banks. The University of Illinois, I think, has a famous one on archaeology and it's a shame that there is only one university in the country that probably has one of that stature. One of our dreams, for example, is that an archaeology student at the University of Tulsa can access computers which will then access the data bank in the University of Illinois, and it comes spitting out in his little cubicle in the library in Tulsa. The microwaves reaching him from outside the campus, at Champaign-Urbana, down to the outskirts of Tulsa, is here now. In fact, our own company gets us there.

But, the problem is of getting from the outskirts of Tulsa, into the library, in downtown Tulsa, and likewise Champaign, has to be served by the telephone company presently. Now, we had a very fond dream that the cable company will soonbe functioning as the local loop, if you will, to use trade terminology, from the outskirts of each town, to the central point, but at this date, I think I can make this statement, no one is doing that. It is still relying on the telephone company to make that local loop.

MR. WEINBERG: Will you come up to the microphone, please?

A PARTICIPANT: Yes. I am Syd Smith from Nashville, Tenn. and we have looked at the pendulum going from the blue sky people, myself, one of them onto the educational community, who have said we've got to have 20 percent of the eggs laid by this goose. We got to have 20 per cent of all the gold. Now, we are going the other way, by saying you have got to let this goose feed, or it is going to die. I am concerned that the pendulum does not go too far in the opposite direction. I think it would be very easy for it to do it because, let's face it, the swing now is toward the pocket book. I am concerned that some middle ground be established. Now, in Nashville, we are proposing a new ordinance, under which bids being made for our applications for franchises would be submitted. It's still in the work stages. We are trying to solve this by giving some reservation for the anticipated utilization of Cable by the public utilities, the public services. I would like to know what your feeling is other than simply to say it can be done. Now, when I went to the bank to borrow money to finance my boat, the banker and I shook hands, but when the money changed hands, something was in writing. What do you feel would be tolerable, in an ordinance, at this time to protect the access of education, government, and public access, in the future? We have some proposals in Nashville, but I am concerned as to what you think wouldbe economically acceptable at this time, in an ordinance.

MR. HOOPER: I have some difficulty relating to a particular situation, but, I don't think that the -- in fact, if you look at almost any proposal, ours included, you will find a substantial amount of commitment being made for the access channels and, of course, the FCC has some minimum requirements, also. I have alluded earlier, I think, to the simple fact that the first order of priority for any franchise authority ought to be a healthy, profitable, concern in that town. That should be the first priority, and if the cable company is willing to make the projections, and we all do, and fit in the services which everyone desires into their projections, and make a go of it on a minimum basis, I think that tha's what both of you should look to.

I don't think that though, until we are able to offer the additional services in pay cable I think in pay TV, pay movies and so forth, entertainment media, I think has one of the big hopes, or is one of the big hopes to provide the additional kicker that will make it a very good business versus a mediocre business.

MR. KLEIN: I am Gerry Klein from the University of Michigan.

I'm here on the assumption that there weren't meetings like this held before radio got established, or before television got established, and that is one of the reasons for our being here is to be able to put some sort of intellectual set of minds to work to prevent the kinds of things that are now existing on the national airways, and that Cable is seen as an alternative way of communicating, and providing communication links amongst various segments of the nation. Now, one of the things that seems to be missing, at least for me, is trying to put some data parameters on the kinds of blue sky notions that an academic like myself might want, or what an entepreneur might want in the way of a profit situation, and I'd like to know what you'd use to make say, demand estimates, and I am addressing this to the whole panel.

So I see that the banking community must have some need for data aside from projections that come out of regression lines from one city that does have very little generalization, and one of the demand characteristics is such that you could write a contract which would say as soon as the demand is met at such and such a level, penetration at such and such a level, that we can now start to implement the kinds of social needs that were bypassed by the radio and television industry and are continuing to be.

MR. HOOPER: I think that is a very, very fine approach it is yet to be done, as far as I know, where the city says first let's make an economically viable system. When you reach this benchmark, let's talk about some other things that might be done to improve the life in the city.

I think you might find the responsible operators - that responsible operators may be asking to do these things prior to the time that the city might legally impose them, because usually what's good business for the city is going to be good business for the man that is running the system. I don't think that it is difficult to impose such a thing in a franchise. It's probably a reasonable approach.

A PARTICIPANT: Dr. Progent from the French Embassy.

I want to know if the panel has an economic and financing opinion on the software which must be put in the cable system when it's having more programming. I hope the CATV industry doesn't want to make the same mistake of the computer industry in pushing hardware and not software.

MR. WEINBERG: Does anybody want to comment on that?

MR. KAGAN: You know, I tend to make a point that I have not seen covered in too many different places. The 1960's was a decade in which a lot of people talked about software, especially for the computer that had just come along. And late in the 1960's, everybody in sight was buying publishing companies, because publishing companies owned huge libraries of material that theoretically could be computerized, and then become valuable storage banks of information which you can then sell to everybody. And the whole concept of putting the Encyclopedia Britannica on microfiche and on CRT displays, for kids to use for their homework, at home, has been, and continues to be a tremendous dream.

The only trouble was that the acquisition of publishing companies, in the late 60's did not work out very well, for those companies like Xerox, and CTS and Raytheon, and other people who bought them because one of the problems they neglected to consider at the time was that the transmission system for delivering this information was not available. The telephone system, as it is constructed in this country, operates at a maximum of its capacity, as we all know, on a day to day basis, no matter what the publicity releases from AT&T say.

The cable systems have not been built. The country is using spectrum to its fullest capacity and really what we are seeing in the decade of the 1970's and maybe in the 1980's is the construction of the microwave, and Cable, and satellite systems, that are necessary to deliver software back and forth. And what we are engaged in here really, is talking about, in an economic panel especially, the ways and means of subsidizing the construction of these highways, electronic highways, to enable us to put software out, at some future date. It is a chicken and egg situation, so really, we have to talk about how do we get the thing built, and that's why, to mention what Ed Hooper said, about Chairman Birch's statement, he said let's use the entertainment options in order to help build this system if that's what the public will pay for first. Obviously, if there was a demand now for all of the blue sky services we heard about, then these services would then -- the demand for these services would subsidize the construction of the systems.

A PARTICIPANT: How do you know -- measure that demand which was my question before. How do you know anything about demand?

MR. KAGAN: Well, I'll tell you. In this country we have a long record of entrepreneurs, and I would like at this point to tie it into what the fellow who was sitting right behind you, who left since, said before about what's the hurry about building cable systems and why don't we have a public hearing to decide if they are necessary.

The fact of the matter is, in 1964 there were certain economic interests that were against the development of these pay TV services that I've mentioned, and in the State of California, they succeeded in putting out a public referendum, which succeeded in giving the state of California the right to tell an entrepreneur that he couldn't offer, in a fully competive way, pay TV services. Since that time, the United States Supreme Court has struck down that referendum as saying that you can't do that.

The fact of the matter is, in this country, thank God, we have the right; a businessman has the right to be able to offer the public increased entertaining programming on his television set, if he is willing to put up the money. It's an entrepreneurial venture, and only the entrepreneur, who is willing to put up money in conjunction with insurance companies, banks, or his brother-in-law, or whoever else is financing him, can tell you that demand is there and I'll explain to you how it works out.

If you go out today, and this is again an answer to that fellow who said "what's the rush"; if you go out today, and you hold a referendum, which is a terrific hearing, you ask everybody "would you pay -- do you want a system built -- shall we give out a franchise for a system that will be built, that would offer you movies for one dollar or two dollars, or whatever number?"

If everybody says, "no, I don't want that" would you then deny me the opportunity to go in and offer that service anyway?

I don't think you really can, under the law, and what you are really seeing in the market place, are Ed Hooper's company going out and offering service where they think is viable and TelePrompTer, where it thinks it is viable and one goes into Akron and maybe finds out it is not as viable as it is in Tyler, Texas, or some other city and you have this market place test. You have to have it. You can't go out and do a survey as MITRE did or Sterling communications did in Manhattan or any other place and ask people: "would you be willing to pay me this for this service?" Because, if you do, that is your entrepreneurial option, and if you get back a vote that says "no, I am not interested in it", maybe you don't build there and maybe another guy goes in and builds in your place.

In Worcester, Massachusetts, Columbia Cable Systems had an opportunity to buy the Worcester System as it exists, which is a brand new marginal system, with a lot of debt and a lot of problems. And they took a good hard look at it, after they had an intent to acquire it. They decided to change their minds and they backed out. TelePrompTer went in and bought it, so TelePrompTer assumed the headache. That's how you tell.

A PARTICIPANT: Not to get into an argument as it will take up too much time, it seems to me that there is an over emphasis on the way we are discussing the entrepreneurial side. I am not saying or disagreeing with you on the point of cable TV, but it seems to me, the very fact that a franchisee that does get access to my city, and doesn't do the job that we want done at the time, doesn't allow TelePrompTer or someone necessary to come in. We are stuck with him, or we are stuck with -- our options are off, we cannot make the same optional.

MR. KAGAN: That's not really so. There are franchise covenants that can protect any city against any kind of seriously devious operator, and they are not that difficult to discover.

A PARTICIPANT: No, but aren't they now part of the franchising discussion we are talking about here and saying "can we impose limits which say we want to be sure that this is not a fly-by-night operator and after five years, we won't get our fair share of the social capabilities. After all, we are talking about communications. We are talking about an alternative system of an already dominated entrepreneurial system that I don't think serves the purpose in the way some people, and myself included, think it should.

And we are saying, we are putting a covenant on, give us 20% and don't do that, let us run a super highway. I think the word roads is a bad choice of words, because if you are a city planner you know what a super highway does to your city. Do you know what the social implications are? I am just saying that what is the data, what kind of data does a money lender use to make a projection when he knows there is a covenant that is going to say we have to give a free lunch, or whatever the terminology is?

MR. WILSON: I guess we want to make sure that we get our lunch too, and one thing we do is we look at the company's projections and we also compare them with experiences we had in other systems. And we say, "ah-ha," such and such a level of revenue, or saturation, if you will, essentially is your break even point, in terms of cash generations and we look at two things and say, well is that a reasonable level compared to what our experience tells us? We ought to be able to sell, in terms of getting people to sign up.

And another thing we do is say, well, this is a high risk project and we think something more than a fixed rate of interest is appropriate, so we want a piece of the gross too. But, we will only take that piece after you have hit some pre-established minimum level, so that we do pay attention to trying to bogey the guys viability. We want to make damn sure that he's got a viable network before we go tinkering around with it, and I think that is also in the interest of the municipalities.

MR. WEINBERG: Sid?

MR. DEAN: I am Sidney Dean and I'm a New Yorker. I am on the Cable Advisory Committees of the FCC and New York city, and as a private citizen, I have been around, and I would like to share with you some confusion and perhaps resolution. Our panel is dedicated to trying to define the economic and financial parameters of the growth and development of broadband communications, ostensibly in the public interest. I think it is significant that nowhere in the program of this seminar is there any section dedicated to defining the public "address", or the goals of public policy in this field. I think Dean Birch and Mr. Hooper and others have referred to the guidelines, but they have not stated them comprehensively. The simplistic definition is that the first job to do is to build broadband highways to connect up our society and our people, so I suggest that the goal is much more -- has to be much more complete. It needs to be a highway that connects all members of the society and the economy for necessary and essential uses, education, public affairs, health, welfare, public administration, everyone.

It has to be a highway that has the capacities and facilities to permit everyone who wants to finance the distribution of information or services to the population or segments of the population, but even more importantly who is willing to take the entrepreneurial risks to try to sell his programming or entertainment or software or content services to everybody. Clearly that highway has to reasonably contain the current, viable state of the art, in its capacity and its facilities, and clearly, since it is a monopoly, or a de facto monopoly in each of our communities, there has to be some reasonable regulation of the rates and the terms of service.

And I for one, am a businessman, by background, I have no problem with giving the franchise cable operator 40 or 50 per cent return on his investment, before taxes. But our chief concern, it seems to me, in analyzing the economic and financial determinants of cable system operations toward public goals are the operators incentives for installing and maintaining and improving this system, congruent with the public interest. Now, this leads to certain questions, that I am sure of. In that franchised area there will be cash flow generated, and the operator will acquire credit standing and resources, and size available for growth and development. Question: does it serve the public interest for the operator to take the cash flow out of that community and use his complete entrepreneurial discretion to decide what is in the best interest of his MSO over multi-media conglomorate, which might mean using those earnings, tangible and intangible, from his possession to that franchise, to go for franchises in other communities, as a top priority for example.

Is it in the public interest for that highway operator to vertically integrate backward into hardware and equipment, and appliances, and terminal, attachments? Is it in the public interest for the operator to vertically integrate toward the market by controlling paid TV programing and films, and content, and data processing, and burglar alarms and films and tape production facilities. Is it in the public interest for the resources generated by the community to be used substantially in any way other than to work toward a 100 per cent penetration of every potential user of communication services in the community and make the highway broad enough and modern enough so that independent originators and producers, and entrepreneurs in content can use it for their own legitimate purposes? These are some of the questions I think we should attack. I hope the seminar, perhaps, on Friday can examine somehow what the criteria are for the economic and financial developments of cable in the public interest.

MR. WEINBERG: I am not sure that there are really answers to that question at this stage of the game other than in some cases. Yes in some; no in others. Perhaps, maybe, you know if you work toward it. I sometimes wonder if Cable's problem is a hypothetical thing? Is that is comes right after radio and TV essentially has ripped off large portions of the population? Everybody is saying, we're not going to let you do it, we know what happened before. We want to make sure that it does not do it, and are we really expecting too much from an industry whose gross revenues at this stage of the game are around 300 million dollars which is pretty tidy. I know that safeguards have to exist and should exist, and I think that we have to, you know, very carefully make sure that what we are asking, and what we are expecting them to do, and what they want to do, all can be worked out in some sort of framework, where it is realistic to assume some of the social pressures get "rent". There is never any answer to it.

MR. WORMLEY: I am Wallace Wormley from Harvard, I would like to ask Mr. Kagan and Mr. Hooper how long would it take the industry to really live off of cash flow because we are continually told that if capital intends to "push it through" and that you know its a hydro industry and you need this money and you can't start earnings, so don't look at "P" ratios, look at cash flow ratios. But if it is capital intensive and we need the kind of monies that are projected over the next ten or twenty years, you are going to have to be increasingly active in both debt and equity markets. And when you talk about equity markets, you need institutions to come in and take pieces of the action. And floats are so small for most of the MSOs, that if you don't have traditional security analytic type things people can look at like current ratios, quick ratios, debt equity ratios that stand up when you compare them with other equity opportunities, you know, what is the real potential there for institutions to really help us grow? Also, especially to Mr. Kagan, what can be done to kind of stabilize the way franchise intangibles are looked at because they have discrepancies the way different MSOs handle them.

MR. KAGAN: It would take a man from Harvard to ask those questions, and they warm the cockles of my heart.

I will tell you a couple of things a lot of people don't realize about institutional financing. In the last couple of years, there has been an enormous number of secondaries selling inside stock in the CATV industry, not by most -- predominantly not by the people who are currently running these companies. As a matter of fact, among the people who have been involved in getting out of several Cable stocks, I don't mean getting out totally, I mean selling some significant holdings, are such institutions as teachers' insurance annuity association, and some people in Massachusetts who put a few million dollars into American Television and Communications, and I can think of -- I have written down the names of Telecommunications and Vicoa and American Television Communications are not, the people who run these companies are not selling out. But you may find some institutions using the profits from Cable stocks to help subsidize some of the mistakes they have made and the rest of the stock market. And the fact of the matter is that institutional investment in the Cable industry is very, very deep.

It's a hell of a good business to make an investment in, because although nobody mentioned it on the panel or in the audience today, in the entire history of the cable industry, good cities and bad cities, small and large, and we go back twenty years, and we do talk about 10% of the country hooked up, but maybe 20% of the country is actually wired. We find that, that is continually serviced and paid back, and the cash flow -- I'm not describing a golden goose now, mind you, the cash flow is there, and we know a few -- to answer the first part of your question, we know a few certainties, or reasonable certainties in the future of this industry economically.

For instance, we know that in the next few years the markets that will be built in the cable industry will be the markets that are easier to penetrate. I think everybody expects that the institutions are now lending money to companies who are building systems still in medium to smaller size cities, where cash flow is on hand in a more ready manner. And incidentally, this is in cities that want cable service today, that are willing to saturate 50, 60, 70% today, and there are still communities that are doing this. Yes, they are helping to subsidize the electronic highways of other cities of the future. I don't think the MSOs are considering at any point, neither the institutions that are financing them or any of the people that are involved in putting this whole thing together, I don't think they are considering keeping the money from LVO Cable system in Carpentersville, Illinois in Carpentersville only and not helping LVO cable to build in other cities.

I mean, there are certainties that we know about, and if you did restrict all of the money that came into the cable industry, to the city in which it came in, you would have a problem in the fact that some cities that would want the service right away, would get their system built today, and would get their system improved today, and would have the blue sky next week, whereas, another city in which the initial service was possibly tougher to get, might not even get initial service, much less blue sky. And you have a situation analogous to the fact of the city taking over, for instance, the MacDonald Hamburger franchising, and where there was a demand for hamburgers or quick food in that neighborhood, the city would O. K. a franchise. But if they could not determine that the people really wanted a MacDonal Hamburger stand, they would not let one be built. So, what you have here is a situation of the cable industry with its current cash flows from proven markets -- they have been in business a long time and have done O. K.

Other cities coming on in probably a ratio of, as I said before, where the market exists will come on sooner rather than later, and these cash flows, debt equity ratios, helping to move on to the next step, and of course, it gets progressively harder, and harder, as you get into areas of lower and lower demand. But as far as how long it can go on, and how long it should go on, considering only 10% of the country has the cable service, or has opted to take the cable service, it can go on for quite some time.

A PARTICIPANT: So, are you saying we can't expect to see earnings in our lifetime?

MR. KAGAN: No, that is not true, because you've got to take into account the American entrepreneurial system. It isn't black and white. If an investor comes out and says, look, I don't mind your cash flow helping to finance everything that is going on. I can understand that you are not going to make 20% net after tax tomorrow, but I've got to have earnings, which is true. Venture capital people want to see earnings. Its all based on the stock market. The final investors at the end, who set the price, have to see some kind of earnings, so you have a situation where the cable industry says, look! O.K. ! we can't show as good an earning position as we would like to because we just have to keep on building, but what we will do, is we will use those methods which are available to us to show some kind of reasonable profits, at least, increasing profits. Which is at least what the public wants to see, when it buys the stock, so you find that a few years ago, a public company was selling enough to have 6 to 8 year depreciation.

Now public companies are realizing that, in order to be able to show the investor some kind of an earnings, they may have to go to 15 year depreciation and some analyst gets up somewhere and says, its terrible, you know, liberal accounting, but without it, maybe the guy does not get his financing at all, so you have -- that's one method. You have another method, limited partnership financing, where a company says, look! since we know we are going to get clobbered earnings -wise in the system, for the first three or four years, let's let limited partners finance it and take the depreciation. Keep it off our P&L and our earnings will look better. He will finance the system. It will get built, and after three or four years, we will acquire it back from him for stock.

In that way, that investor, who requires earnings on his P&L, in order to buy the stock will be happy, and that investor who does it, you know, he is buying it anyway, so just giving two examples between limited partnership or off balance sheet financing, and certain accounting procedures, which can be utilized, there are a couple of ways you can bring earnings out while you are undergoing heavy construction, and you've got to see this.

You have a company like American Television And Communications, which has been doing very well, and it's been financing great, and people are lowering the interest rate, and they are now fully financed to do a great deal of construction. They are starting in Orlando, and they are spending a lot of money down there, which is hardly bringing in a return at this point. The company has a balance to strike between increasing its earnings, or showing a decrease while it, you know, brings these moneys on to their P & L. I think you will see an attempt made at some kind of incremental earnings increase by the company despite the fact that it is doing a great deal of new construction. It's going to be tricky if you, you know -- you know what's going to happen. Supposing next year you get a terrible stock market crash and a really bad economy and we have a precedent in the broadcasting industry, just to name one, and others to name practically any industry in the country.

If the stock market is crashing for technical reasons, for emotional reasons, you don't show the profits. You can -- they write off more. 1970-71 had to be one of the great write-off eras in history. People just decided to write-off assets that were laying on their balance sheet for 10, 15 or 20 years or whatever the number was, because the market was getting clobbered anyway. Perhaps, at some point in the future, we will have a market crash, and somebody will write off some losses that they have taken in the cable system. But that does not stop the on-going process from building over a period of time.

QUESTION: What about the intangibles?

MR. KAGAN: Well, I think the intangibles are included in a thing like that. Intangibles are an emotional factor to a lot of people. The value -- you are talking now about the value of a CATV property, during and after it is being built, and I've gone over those numbers and I see that one company has higher intangibles than another, and I have not been able to relate it. And I've tracked the stock prices of CATV companies through four years now, on a daily basis, of good markets and bad markets. I have not been able to find the correlation between the intangibles of a company and the way it is valued by various investors. So I don't count it as a significant factor.

MR. SPARKES: I am Vernone Sparkes from Indiana University. I appreciate the far ranging economic discussion here. I have one of those relating to the economic penetration. The issue has been hinted at several times, but I would like to amplify on it a little bit and in so doing raise the question. In fact, it would seem to be that a company, a cable company on one hand and a city group, or city government on the other hand, have different motivations in regard to penetration and the economics involved. It seems highly likely to me that the cable company might be willing to stop off at 3/4 of the community six dollars, hypothetically speaking here, six dollars a customer, where this serves its profit making purposes, which you all emphasize, so much so nicely.

Unfortunately, this does not serve the purposes of some of the community functions that many of us are concerned with. And the city government, perhaps, would like to see cable companies get $4. dollars or $4. 50 instead of $6. 00 a head, and you get that penetration up as a way of getting your profit margin. So, how do you get around this basic conflict of a way to proceed. It seems to me to be a very definite economic question.

Now, relating to this, and maybe there is really no answer to this and maybe the answers are all legal, but for such as somebody has to say, I'd like to open up the question. Are there possible ways of accommodating or facilitating fuller penetration by, I don't know what you would call it, subsidization, differentiation of rates? I realize the wormimess this opens up, but given a concern, this has been brought up many times in this conference, in this room. A lot of what we are talking about really does depend on full penetration and if we are talking about 50% penetration, well, its a different ballgame. If you want to talk of full penetration, what about economics involved here and how do we get there? What are some of the possibilitie

MR. KAGAN: One of the problems is that you are assuming that there is a great deal of price elasticity between, you know, what people are willing to pay and the number of subscribers, and I am not really sure if it is that elastic. The full penetration though, is another problem in terms of semantics. Full penetration to a cable operator means one thing; full penetration to a city means something vastly different. The cable operator is happy if he can get this 50%. It would be delightful if he could get 50% in the bottom 50.

I think one of the ways of doing it at least as a start, is to make the assumption that all cities nowadays are going to have all of the houses passed by cable. I don't think that cities are going to permit operators to cream or skim off part of the affluent suburbs.

A PARTICIPANT: How can you be sure that it's off?

MR. KAGAN: You can, you can, you just make it mandatory that every home is, you know, at some threshold. If there is a guy, you know, a density of one per mile because you got clods in the hinterlands, you know, you have to compromise a bit. But, I think there is going to be that requirement and I think it is what the FCC says.

MR. WILSON: I think you should recognize that because of its capital intensive nature, Cable you know, the 100th% guy who is on, is a lot more profitable on an incremental basis than the 50th %, so when you say that the cable operator is happy with 50%, I sure as hell hope that the guys who are borrowing money from us don't think so, because they are using -- they need damned near just as much money to penetrate 50% as they do 100%, so why throw the other 50% away? The incentive is there to get as much penetration as you can, and I think you got a problem that is not a price elastic business. I think, to a certain extent it is, but perhaps a little more price elastic than the telephone, which I think is probably not too elastic.

MR. BERTMAN: I think, though, here a very good point was raised. Obviously, the cable operator with any given fee structure would like to have the greatest penetration he can. On the other hand, and I think it is also true that in middle and upper income areas, the price elasticity is not enormous within the range considered. But, it is a very good question asked "if the cable is going into poor neighborhoods, how is the price elasticity there and maybe it's quite considerable. Well, it's in the best interest of the cable operator owner to maximize net revenue. This does not mean that he necessarily is going to do good in the poor neighborhood because to do so, he may find it best to charge six dollars, and have 25% penetration, compared with charging 4 dollars and getting 35%, something along that order.

I think this gets into the issue again of subsidization. If Cable, in fact, is delivering services that we would like to see go all over this city, the question is "do you force the cable operator to charge less to everybody, so that everybody get the services, even though it hurts his economic situation, in fact, can you? And I am not sure that that is a good route to go. It would seem that the best route to go would be to let's say charge less in the poorer neighborhoods. Maybe the cable operator would like to do that, so that they could receive the service, but then explicitly realize that you are subsidizing those people.

This might even be to some extent an argument for municipal ownership, since the municipality, if they are good economists, and are realistic, might be able to do far better than the cable operator who is quite rightly interested in his financial picture. And the social benefits certainly don't accrue to him in any form where as they certainly do accrue to the city if they are looking at it from their viewpoint.

MR. WILSON: I think the basic price discrimination is going to have some legal problems.

MR. KAGAN: Well, it's just not going to work. But, you do have, if you offer more than one service, as the telephone company does for instance, you sort of pay a basic fee for getting the highway into your house, and unfortunately, that's about the only fee that is collected now, with the exception of the extra set charges. But if you give the consumer the discretion of putting bells and whistles on at extra cost, you overcome some of the problems, you get some indirect subsidy, maybe unfortunately, that the bells and whistles are the services that you sort of in an elitist manner decided that the poorer people in town ought to have. But that is of course a real problem. But the basic structure is there, I think, for building in some price discrimination.

A PARTICIPANT: I think the danger again, is that, you know, we have the concept of sub costs. If all the operators today, the greedy entrepreneur, if you will, thought that he had an unlimited license to go in and build in the most profitable manner, he probably would have a much easier time raising his capital and getting the job done, than if he is constrained before he ever sinks his capital by known intentions to limit his return, to impose other restrictions on his growth, his profit growth.

I am talking about, and it probably will slow down the advent of cable systems, which is kind of self defeating. Now, what I am saying here is that if none of us in this room today had any idea of making, as the gentleman from Nashville, I guess, mentioned, any constraints at all, the industry would probably run wild. In other words, it would be very high, wide and handsome, and easy to finance, but if today, we in this room, if we had fifty city administrators that said "O. K. you guys" as soon as you reach this benchmark, we consider that you got enough and we are going to regulate your rates and we're going to demand this service, we're going to make you wire where there is ten homes in a mile, wire the whole city, which is economic insanity today in most cities, then I think that immediately, my job the next time I go see Grant Wilson, to get a loan, is going to be very, very tough and is going to slow it down. Once we, as an industry, have sunk our costs, and have done our thing, you, as the city administrators are in a much finer bargaining position after it's there and the costs are sunk, and is an on going deal, to ask for the services that you probably rightly deserve.

MR. WEINBERG: One last comment from Mike and we are going to have to break as the buses are downstairs.

MR. BERKOWITZ: I am Mike Berkowitz. I am a consultant from San Francisco. Just let me clarify my background. I have some comments in answer to some questions. I was with Pulp and Company and their cable systems which were regulated -- I was with the FCC -- I have been doing a lot of consulting work for cable operators, and currently I am doing a model for the Department of Commerce looking at the services and doing some work for Rand on franchising processes.

I guess on cities, a couple of things about cable, one of the best controls that cable has, it's a local service, if it does not do a good PR job, if it does not offer services that are in demand it is not going to make any money. And, also, because of the uncertainty of many of the cable services that are being mentioned as an economist, the only real way you can adjust for uncertainties is letting him work at the site. If they don't like it, the prices are too high, they are not going to want it.

Thirdly, while Cable may be the fact that without -- there are many, many ways which a franchise can be let. Canada has overlapping boundaries. The first system that gets to the boundary first extends its franchise there like a 100%. Seattle people can apply for a franchise. They apply for a 50 square mile radius. They have to build it and turn it on before additional (it sounds like "efforts"). As a city, you don't have to let the franchise for the whole city; you want a company to come out -- you point out where he is to compete. There are a lot of methods where you don't have to worry that the cable operator is going to -- (words lost) and even if you let a good franchise, then you have also got to look at what are some good solid objective material we can develop for evaluating an operational performance.

I guess also, on franchising, Ed, you can either agree with me or disagree with me, you can't always look at what is the best cable market and then go after the franchise. You would love to do that, but the question you have to ask is -- how much political clout we have in that market and weigh against what is the cost of going after the franchise. Franchising costs have gone up at least 5 fold in the last 5 years and maybe that is probably good for the larger operators because the little small guy can probably not afford to go after the franchise and because of the new FCC rules that have laid certain ground rules, it is probably going to reduce thecost of going after franchises.

I think the cable operators, their main concern with cities is set the ground rules before we go in for bidding. We don't care what they are but we want to know what the (it sounds like "games mogler") have in the play, and make them flexible enough so that we can use our creativity in making the bid. I mean like one thing is supposedly cable, people say that we are in the business of cable and we ought to know what the input requirements are. So therefore, give us the output requirements and tell us how many channels you want, what you want to use them for, but don't tell us you need 12 technicians for the local origination studio and things like this, let us decide that.

I guess also a question was asked about research, and demand for new services, well I guess if you look at profitability you have to look at both cost and demand. The easiest questions to answer is cost, and I was looking at technology. The hard question to answer is demands for new services. You don't know, the best you can do is go out and ask additional questions about various services, and even once you have got that demand, let's say that in the software end, where is the software coming from? Ed, do you know how much you are going to have to pay syndicators and you know what programs you can get? You know, with respect to the FCC rules on various types of programming and sports? You are locked out of an awful lot of programs you could bid for and those prices are not going to go down unless the syndicators know how large their markets are, because they are afraid of retaliation from the broadcasting industry.

I guess the thing is I have never seen any good demand studies yet from various news services only because at this time it is really attitudinal. It is just like asking a guy what do you prefer a Cadillac or a Ford? The next question is how much are you willing to pay for it, you know, as you would like to charge a user's charge for these services, but you are trying to re-adjust so that because of that you are going to charge a flat monthly fee for some services and in this way you can better estimate what your revenue projections might be. There is no uniform canning standards in the industry. As Paul was saying, there are lots of ways that you can manipulate, and I don't mean that facetiously, to get various bottom line figures. The question is the lenders know what they are, the cable operators know what they are, and they both live with that and then they look at what they can do.

A comment made by Lee is what a city has to do is look at the possible costs and benefits of goods, say Cable -- cable TV, treated as just another communications medium. As such, it is not an answer in itself by any means, and I think the city is probably the best place to access community needs in interest to communication.

The FCC sadly to say, is too insulated from accessing what public interest is. The local citizens never make it to the FCC. They don't know how to talk to the Commissioners. They don't have the money to go file various types of pleas, so it is up to the city. The attitude of the FCC was that they have a magic word called "grandfather" -- if you do something before they pass the rules, you can continue to do it. But if you haven't done it already, and now that they have new rules, you are going to have to at least live by them. And what they said is that these are minimum standards; you can do whatever else you want to, but you are going to have to prove your capabilities. You are going to have to prove to us that you are capable enough of performing what you want the cable systems to do. And as Lee also said, whatever restrictions you put on the cable system, somebody has to pay for those restrictions and restraints and usually the burden is going to be passed on to the user.

At this time, a lot of the burden I feel is being passed on to the cable operator. I don't think any cable system in the country, as an economist would say, is a true profit maximizer. You are (it sounds like "satisfiser"). One point is that the monthly subscriber fee for traditional services -- it has no relationship whatsoever to the cost of building that system or the demand for the product -- it is something that somebody started 10, 20 years ago and charged five dollars a month, and basically that is what they have been living with.

I guess the other question is even though the services -- there is demand for services and they can be developed, and as Paul stated, now we are going to have to look at the distribution systems. You are going to have a completely new ballgame when the satellites go up, and and specialized common carriers are here. Maybe that is one way to save the railroad, because a lot of specialized common carriers are trying to contract with the railroads for right-of-ways on their property, and I think the thing that is thoroughly needed, which I don't see in this room, or in the conference very much, is government participation.

Just look at how the railroads got stared. The government had a lot to do with how they got started and either directly or indirectly gave them large subsidies. I don't see this happening in Cable. I guess, maybe if Nixon had a lot tighter race, he would have put some money in the swing state for a model cable system, but that did not happen even though we can talk about it, so I guess there are a lot of problems and at this point, hopefully with the conference, I assume what MITRE is doing is make city people realize what some of the problems are and hopefully be able to walk away and start asking some of the questions to people that represent these various groups.

MR. WEINBERG: Let me just make one conclusion and then catch a bus.

In summary, one of the points I think that came out strongly and I am glad it did, was indeed the "golden era" of Cable is dead and I would like the audience to realize that it is dead and I also would like the operators to realize, those that are around, the cities are concerned about Cable and in some cases, perhaps more than they should be, and in some cases less than they should be. But there is a fine line of negotiation and discussion with operators to reach some sort of conclusions that the operator, the city, and importantly the consumer, and the public can be happy with, over the life of a franchise, which is for 15 years. No matter what anybody says, it is harder to get rid of, you know. Cities are becoming aware that they have been taken. They are over reacting, perhaps, maybe they are not, but if everybody tries to understand what Cable can do, what it can't do, what it costs, what is practical and impractical at this moment in time, and even in the short horizon of the next five to eight years, then perhaps more realistic ordinances will be developed and some way of getting some agreement out of the operators and the cities will be reached.

We are over our time and I thank you for sitting in on the panel. (Applause)

WORKSHOP 2) PUBLIC OWNERSHIP: MYTH AND REALITY

Winston Webster - Field Representative, Cable Television Information Center, Moderator

Dr. Otto Hetzel - Professor of Law, Wayne State University; Member, Detroit Cable TV Study; Member, FCC Federal, State and Local Advisory Committee

Jerry Minford - City Manager of San Bruno, California

Richard Loftus - President, Amvideo Corporation

John J. O'Neill - Associate Department Head, the MITRE Corporation

Douglas Jarvis - Metz and Jarvis Associates, Inc.

MR. WEBSTER: (The chairman had already started talking before the tape recording had begun so he continues) ......who is not quite here yet, Dr. Otto Hetzel, of Detroit. I , oh, he is here. O.K., that's good. Well, why don't we get started anyway.

My name is Winston Webster and I am with the Cable Television Information Center. This morning, I'm sure you all know, we are talking about public ownership, myth and reality. I hope everyone can see me if I sit down. If you don't, you are probably better off. So we're talking about myth and reality of public ownership. We've -- our job here basically, is to kind of examine the issues and to get as much as possible into this controversy, one of the most emotional, and certainly one of the most controversial issues in the field of cable communications today. Now we want to try to get as much as possible into basically -- what is municipal ownership -- what is causing all the controversy? Is it the specter that it's often made out to be by members of private industry? Is it the gold mine that cities see it as -- many cities? Is it, as some public interest groups have stated, possibly the only way to achieve the maximum benefits in terms of services that Cable can offer, or possibly the way to destroy cable and limit its benefits?

Discussing this issue today I've got, we've got five speakers, and I want to have each of them speak, at most fifteen, and hopefully about ten minutes. My style basically is to allow as much as possible audience interchange. I think this is a very important issue and I'd like to hear views as well as questions from those in the audience, as well as interchange between the panel.

Starting on my far left is Douglas Jarvis, who is with Metz & Jarvis Assoc. Inc., a cable consulting firm. Next to him is Jack O'Neill, of The MITRE Corporation, followed by Richard Loftus, President of Amvideo, cable owner; Mr. Jerry Minford, City Manager of San Bruno, California and Dr. Otto Hetzel, who is with the Wayne State University School of Law, and who is on the citizens Cable Panel in Detroit.

Now our order is going to be slightly different than the way we're seated. I am going to ask Jack O'Neill to start. He is going to talk basically about "Managerial Financing Aspects of Public Ownership". Jack?

MR. O'NEILL: Thank you very much. The program says a lot of alliances have been formed on different sides and when you start to add them all up -- there aren't too many on the public interest or municipal side at all, and yet that's the side that I am going to take today. Being a systems engineer, I tend to try and structure things a little bit so that you can get a feel for what part of the problem we are talking about. I find that there is quite a bit of emotion that comes into it and comments come up that jump from one field to another, so if I may, I would like to explain what we are not talking about.

We are not talking about the private cable operator, the independent operator. We are not talking about the multiple system owner, that's the conglomorates, those that own systems geographically dispersed and put together for financial strength and so forth. These types of structures of ownership can have their own set of problems, advantages and disadvantages. The title here is public ownership that does not mean municipal ownership only. What we are talking about here is a variety of ownership arrangements in the public interest. Municipal ownership is one, subscriber ownership is another, that is that the people who are on the system actually own the system and operate it. We are talking about authority type ownerships, like the Tennessee Valley Authority type ownerships, or profit making ownerships, such as the Communications Satellite Corporation. So these are the general categories of ownership arrangements that might be available.

There are hybrids among all of these, each with their own advantages and disadvantages, and I will talk a little bit about that. Finally, in the public domain, you can talk about each one of those ownerships being in a common carrier type status or a non common carrier type status. Just for the sake of a reference point. We will define common carrier as the separation of the owning and operating of the system from the programming, I mean, the programming that goes across the channels, the information transferred, regardless of its source. So you have basically, three or four public ownership arrangements that are possible straight forward; you have hybrid arrangements of those; you then can talk about the common carrier and the non common carrier. Now, what I have been asked to do is to try and talk a little bit about two major subcategories of each of these, namely; financial arrangements and management arrangements. They are probably the most important part right now.

The financial is where the action really is. There is no question in my mind that once you have mentioned a type of ownership, just by mentioning it, you automatically put a mind set on a completely different set of financial arrangements. For example, if I say municipal ownership, I am sure you will jump into the idea of some type of municipal bonds, revenue bonds, with interest rates that are significantly different than a private entrepreneurs. If I talk about public interest, you get a little vaguer it's not clear exactly what that means.

In the management area, and I'm just covering it very generally now, we can talk about program control, day to day management, and the content of the programming, you know, what it is.

Now in the financial arrangements, economic models are available in the community to find out what type of pro forma arrangements can be made to determine whether or not people will invest in it. They have basic terms in them which are common everywhere. It's a capital intensive industry, front end capital intensive, meaning that the monies have got to be provided in large quantities in the beginning, with very little chance of getting any type of revenue flow out. To get that type of corporation going, you have to borrow money.

There are different schemes in the economic models -- just to find out what your taxes might be, your interest on the money that you borrowed; even the overall economic viability of the system can be determined to some degree right in the beginning.

If you take a public interest flavor and you want to make sure that everybody participates (this does not mean that everybody has a cable in front of their house, but that everybody is on the cable). You have to consider some type of subsidy arrangement. There are very few systems, if any, that can say that they will bring everybody on board and maintain a profitable situation, and we will talk about that in a little bit.

So you have the problems of raising capital, negotiating loans, providing tax structures, depreciation schedules, and all of the terms that the financial community are going to make their decisions on. There is the question of allocation of profits, where they go and what they are used for.

One of the day-to-day type situations that the citizen really is interested in is how much it's going to cost them to get on to the Cable. You take the revenue from any cable system and you start to now say how am I going to survive in the world of economics? You can take two tacks as an extreme (which neither one of them normally is you have to find the middle ground in between), you can give the service away free, and you'll get just about everybody on board, but you will get very little revenue, or you can charge a lot of money per subscriber, and here you get very few people on board, and again, low net revenue. Between the two, there is a product of the amount charged times the number of people on board, where the revenue is maximized. This is a very critical point to identify. You then compare that with what it costs you to operate the systems, its tax, its depreciations and so forth. You subtract the two, and the difference, in general terms, is called profit.

Generally, in urban areas strict economic analysis will lead you (I'd like to restrict the conversation a little bit, if I may to urban areas), to the fact that somewhere in the ballpark of 30 to 50% penetration will provide just about the same amount of profit or revenue and it will be maximum. As you go past that (these figures have tolerances on them. I don't mean to be very strict with these numbers) but if you go much past that and particularly if you are trying to get into the plus 70% penetration level, the profits tend to go down and in fact, as you try to approach the 100% level, they go negative, or you are in a very losing type situation.

If you have a desire to be a profit making concern, you would tend to maximize the revenues, and you would tend not to push for 90 -100% of the subscribers coming on board. It's a natural center of gravity for people, a point for people to gravitate towards, so the subscriber fee is very, very important and that is one of the very first determinants -- how much should you charge? It depends on your interests. Are you interested in getting a lot of people on board or are you interested in maximizing revenues.

There is a school of thought with the profit makers that says that they would like to get the penetration as high as possible, because then they can start to be independent of subscriber revenue as the primary source of revenue and get seriously into advertising type revenues. If you have a lot of people on board, there are many more things that you could do, and probably in the long range that's what will occur, but not in the near term.

The services that are provided is another thing. Yesterday you saw presentations a variety of municipal type services, traffic control being one, the community information type centers being another, the police call boxes, selective power control and a variety of things like that. These types of services are generally not the first line of concern of a profit making corporation. They are not going to be pushed as a large economic service to begin with; its's a municipal function generally considered, and it's left in that arena.

You can also talk about what happens to the revenue once it's made. You can put money into programming and now you start to get into a tough area. If it's a municipal owned system and your programming, that is providing funds for programming, you have a specter of the municipality or the public -- or any governing body doing programming in the entertainment or broadcasting type of industry, which is not a very favorable type of concept. However, if you go into the common carrier type idea, you can then talk about separating the owning and operating.

There are arrangements in the hybrid area which I would like to talk about just very quickly, and that alluded to, a profit making corporation running it and a community type group doing the programming. It allows some type of single versus multiple franchising capability to be considered, local control, local participation and such. You can have the mirror image of that -- you can have a not-for-profit type of group like COMSAT or TVA or something like that running it, and have the programming itself done by profit makers.

So here you are stepping into the arena of the common carrier where you have people, or industries, that are being set up right now, performing many of the functions that the cable system will have to do. Cable systems, in general, are really a conglomorate of a lot of small different services, and companies are arising to do these types of things. What I am referring to here is that once the rules and regulations get put together, or even the year before, when it looked like they we going to be put together, there were a little over a hundred different firms formed to try and coalesce all of the programming sources that anybody could think of, whether they were movies, whether they were videotape, casette libraries, or what-have-you, community programming. I think that there are probably less than a dozen that have survived today, but these are complete industries that do not -- are not worried about who owns the system, and who operates it, but they can sell programming on a profit making basis.

I think that it is very tough to talk about any one of these arrangements, these public arrangements, whether they be municipal owned, subscriber owned, or TVA or COMSAT, and then throwing on top of all of that the common carrier, or the non common carrier aspect. Independently, it is not only the financials, but it is the day-to-day management, the operation of the system, and programming that goes on. And it is the interrelationships of these that I think you'll find that most of the discussion is going to wrap itself around for the rest of the morning. I'd like to leave it there, if I can. I think I've hit the 10 or 12 minute limit there.

MR. WEBSTER: Thank you Jack. Prior to going on to our next speaker, I'd like to have an announcement that I must make, I suppose. There is a tan Dodge that has its lights on, Virginia license plates CTZ 316. So if anyone has a tan Dodge with that license plate, your lights are on, you might want to turn them off.

I was a little bit -- we were a little bit unfair to the next speaker -- I was a little bit unfair to all the speakers, but especially to Doug Jarvis, unfair in the sense that we did not tell Doug until the very last minute that we wanted him on the panel. I felt that the one thing that we needed most was someone who had been in extensive contact with financial sources. We need to talk about finances of cable, specifically about the marketability of say municipally owned systems, municipal bonds, etc. Doug Jarvis is with a cable firm, and has been in cable for quite some time. Presently he is a consultant, and he has a good deal of contact with financial sources, and I've asked Doug to talk very briefly. He doesn't even have to talk 10 minutes, about financial sources and what people are telling him. Doug?

MR. JARVIS: Thanks Win. I have a problem. If I put my glasses on to read, then I can't see the audience, but I've opted out for my reading glasses.

Mr. O'Neil broached a subject that I was not prepared to talk about, but I think I will. I'm not an expert because I don't know. I am an expert because I know nothing about the subject, so I am going to make a couple of extemporaneous remarks about the idea surrounding the public corporation as opposed to municipal ownership. I had done my homework just on municipal ownership. My experience is with selling practices basically, other than working with operators, who have sick cable systems, with financial institutions who are -- who come to us and say all right, we have a proposal here from a cable operator. Are the projections feasible? Are they going to do things right? Are they capable of handling what they say they are going to do? And in that context, we do have a pretty broad range of friends in the financial community, both on Wall Street and in the long term, lenders who don't happen to be on Wall Street, and so I quickly called them, because I know nothing about the municipal bond market myself. I'm not in that tax bracket, so I don't buy them, and they are not generally part of the CATV funding package. And the answers I got back were almost unanimous, and they were from both people who market cable television, excuse me, municipal bonds, and people who purchase them, banks particularly.

Their answer basically was yes, there isn't any real problem at all with a city issuing municipal bonds to build a cable television system. Certainly if they can do it for an electric company, they can do it for a cable television company. There are problems though, and they don't relate to the issuance of the bond, they relate back to the potential risk that the municipality takes, and also in the problems that may arise in actually marketing the bonds themselves. And the gut issue that the marketers and the buyers both see relates back to the very thing that our clients come to us for. And that is, there is a general question about the viability of cable television as it hits the urban markets. It's quite one thing to go to a mountainous town. I happen to live in State College, Pennsylvania, and, without the cable television system, we get, if you're lucky, channel 6 from Johnstown and an extremely bad translator, owned by a malcontent apartment house operator, who doesn't like the cable system, who gives us 2 UHF channels. And I'm not a television fan particularly, but there are things I want to watch, and the only option I have is with the cable, so we can get the New York stations.

In a situation like that, there is no question about what your revenues are going to be. You have a very high probability of doing exactly what you are going to say -- what you say you are going to do, but when you talk about trying to project what is going to happen and even something approximating an urban situation, you are not only on dangerous grounds of forecasting revenues, but you got a hideous time even forecasting construction costs. The net result of that is that the people who market the bonds say well, the guys I go to are going to buy these things, are going to ask me this first. How good are these bonds going to be? Forget for the moment who issued it, how good is the bond going to be? I can access a toll road bond, you know, I can have some feel for how many cars are going to go back and forth and I can look at the track record of other municipal authorities that have issued bonds, and I can look at a water bond, and I can check water resources, I can check the demand for water in the community, and the various types of municipal funding that come along, I have some sense for. But you are now asking me to buy a bond, in a brand new industry, which has no real track record, in the area which you are asking me to participate.

I turn around to my financial friends and they are also trying to sell me cable CATV excuse me -- cable television investments. But they happen to be higher risk, - high yield investments, and on one hand I have low yield low risk investment; on the other hand a high yield, high risk investment, and I am not sure we are talking about the same animal. So they sense that there may be some problems in municipalities after selling the bonds in large quantities. The main concern though, is not so much with the effect of selling the bonds. Mr. Annicelli, next door, of Loeb, Rhoades, will tell you he can sell them all day long and I am sure he is right, but what happens if the city finds itself in the situation of having to build a cable system which is not a financial success.

If you think this is not a real possibility, I can direct you to a number of very large United States profit making corporations who have cratered in cable television, and they haven't even tried it in areas that are as tough as the areas that cities are going to be operating in. So, I think one of the gut questions the city has to ask is, is this the kind of business it needs to be in, and in fact can it afford the price of a bad bond rating, which would be the cost, basically, of having issued cable television bonds and having the system go sour on them? Or if not go sour, not have met its projections, and thus be in the situation where out of general revenues, the city has to make up the difference for the bond funding?

I want to talk for a minute about that general subject, the specter of a fiasco and then also raise a couple of questions about the kind of operation the cable television system is, right now, and whether or not it is really germane for a city to think about it.

The specter of a fiasco can happen more than one way. It can happen, as I just mentioned, in a system that does not come out the way that everybody expected it to. I mean, you can have people all day long that will differ on what's going to happen in the future, so there is no real way of predicting what's going to happen, but beyond that there are a couple of other situations that I think need to be discussed. One of those would be what happens if the city issues revenue bonds to build a cable television system and happens to be in the SusequahanmaRiver, and is thus Harrisburg. Has a major disaster, two or three years after the bonds have been let and it suddenly finds itself having to raise another very large sum of money, for cable television, to repair and replace the system and at the same time has got a phenomenal problem trying to raise money to repair streets and things. I think it would be then a question of priorities in the city. And the only people who are really going to suffer in a situation like that are the city government's bond rating and the citizens. I think it's something that must be talked about.

The other one, or another one, has to do with the nature of cable television -- we are in very "nacet" technology right now. I know in my own operating system, in my own operating experience, I had one very unpleasant system which required our company to come back, a year after we had built the system, and take out every piece of electronics gear that was in the system and replace it at our own expense. We felt an obligation to the town to do it. The equipment simply did not work and there is no way, I don't care what kind of contract you write, that you can avoid the potential for that kind of disaster. It does not happen very often, but it can happen. The city would look awfully bad if it had to come back and rebuild a system it had just built. On the other hand, and more particularly as it relates now, technology is changing so fast that the city might find itself five or six or seven years after having built the system in the position of having to redo this system for technological reasons. And again it is a little embarrassing to the city and, particularly since most cities don't have an unlimited amount of funding capacity, and to have to come back and use some of that narrowly available funding ability to redo a cable system is embarrassing.

There is one other specter I'd like to raise. It may not be a real problem, it may be somewhat theoretical, but then I think, some of the successes that are projected from municipal ownership are also theoretical. If a cable -- if the city would allow itself to own a cable television system, and to run it, I think they might find themselves up against the specter of an over cabling situation. It sounds a little strange, but realize that the Commission has said it will not allow, and I don't know whether they are talking about de facto or not, but they will not allow an exclusive franchise to be granted, and the effect of that is , that if there is a franchise in town, and I come in, as an operator, and want another franchise, the city would have a little difficulty not granting me one. Now that's if there were two cable companies in town, they'd have to say yes, you two guys go at it, if that's the game you want to play. But what happens when it's a city who owns the cable television system, and I suspect in most cases, it's going to be cities who own their own municipal electric companies too, because I think there will be a natural glut process there.

They own most of the poles in town, and I come in and say I want a franchise, I want to overbuild you. The city, if it doesn't give me a franchise, and doesn't allow me on the poles, is in a ludicrous position of being in restraint of trade, or potentially anyway. It's strange to find a governmental agency in that kind of a position, but it's a possibility. On the other hand, if they were to come and say all right, here is a franchise, here are the poles, come and get it, we would get into one of those hideous nasty blood baths in which no one wins. The city would then find itself in an obvious position of not being able to meet its funding requirements, and again face the perspective of bad bond rating, and if there are any natural resources owned by a city, one of them has to be its ability to raise funds, so I think there are problems here that you've got to realize can happen.

The other sort of comments on municipal ownership tends towards the operation of the cable television system, and I view the specter -- I got the giggles last night thinking about this, and I don't know if I can really give you the full essence of it, but most city people, and those involved in government are by nature fairly conservative people. The people in this room are a pretty good example, and I cannot imagine the specter of the city salaried CATV direct salesmen talking -- a sales manager -- talking to the city council about how penetration of the cable system is going, all decked out in his full regalia of white patent shoes, and a red pair of pants, and a purple shirt, and a lovely white jacket. Now, if you think -- oh, let me throw a couple more at you -- he is 6'3, he weighs about 280 lbs. and he has got a beard. If you think I've made this up, I have just described guy who runs a small cable marketing company that my partner and I own. He is very successful at it, and he is very adept. But it is a different kind of breed, and I'm not sure the city is going to be in a situation of being able to access his capabilities rationally, because they don't even have the communications of dressing alike.

You also have the problem of this guy having to have a rather free swinging ability in his actions. He's going to be able to shove the guys another buck to get the quota for the week. I won't go into all of the little myriad details, but they simply aren't the function of a city government, and I can't comprehend a city government that would be able to handle that particular kind of a situation. Beyond that, I think there are some other practical problems.

One is generally the marketing question. It strikes me as a little strange, although I'm certainly open to studying the question, that a city would want to be in a business that requires direct sales towards initial success, and if anybody here thinks you can build a cable system today and not get involved in direct selling, door to door, knocking on doors, then you better study the question a lot harder than you have studied it, because you simply will not get the penetrations unless you do. People are not banging on our doors today saying please connect me to the cable -- that's a by-gone day. So you've got the specter of the city sending its own salesmen out, again it perhaps may be all right in a couple of situations, but I think people need to access the possiblity of it.

You also have the pragmatic problem of past dues. Now it's quite one thing to disconnect a person from the electric service, when they're past due. There is nothing emotional about being disconnected from your stove and your refrigerator, that's a fact of life, and I suspect the people to whom that happens are used to it, and they learn to live without the stove and the refrigerator. But I don't think you have ever met the emotional bias of a person whose television has just been taken away from them. It's a hideous thing, and I can't help but wonder what the city is going to do, during an election year when particularly, in certain sections of the city, and I am not pointing to lower income sections, I am talking about the nicer income sections, where people are not living within their means. What happens in an election year when these people let their bills slide, from 30 to 60 days, and you got the terrible problem of saying, all right, do I let them go for a while, and not cause a political fight, or do I start getting tough and disconnecting them? You then have a political issue on your hands. It relates only back to your ability to meet your funding requirements, and I think it's something you've got to access.

There are a lot of practical problems involved. The final practical problem -- I could go on for a couple of hours, is particularly as you get to larger and larger cities, you are talking about a very, very unique kind of guy to run the operation, and to head the functional areas. It simply is not possible, particularly in the building stage, to bring in a tyro and say "build us a cable system." If you are smart, even in the developmental stage until it is somewhat saturated, the guy on top has got to know what he is doing, and that's certainly true of the functional people too. It is not just a question of knowing how the techniques of cable television work, it's knowing realistically how much work you can get out of your employees, because if you don't you got too many employees.

Well, that's fine and dandy, and the answer is run out and hire somebody who is experienced, but again I face the specter of the city council hiring a city manager -- firing the cable system manager because of the prices these guys can command right now, they make about twice as much as anybody else in the city government, and literally as the system gets larger and larger, a heck of a lot more than that. If you were going to build a system in Washington, I can't conceive of you hiring a manager who is capable for the city of Washington for less than 70 or 75 thousand dollars a year. I simply don't know anybody in the industry who would take the job for less than that. You don't need it, you don't need the problems, so you've got an emotional problem on your hands. I' m not saying it can't be overcome, but I think it's a problem you've got to overcome.

MR. WEBSTER: Excuse me for a second, Doug. I'm going to take the prerogative of the chairman you've spoken about, ten minutes.

MR. JARVIS: Good, let me throw one thing at you.

MR. WEBSTER: Right, then you'll conclude.

MR. JARVIS: I will conclude by saying that in the general area of public corporations, not municipally owned, you've come right back to the very inherent problem of funding anything in cable television that's one of risk, and I think you must ask yourself, even in the public corporation, how in heaven's name are you going to fund at least the equity portion of this, in a higher risk situation, because it's all fine and dandy to say well, we'll do it as COMSAT has done it, but COMSAT is a profit making venture, unabashedly a profit making venture, and yet the rationale now for the public corporation owning a cable television system was not profit making. It was in fact quite the opposite. It was to take the profits that might have been generated to go to stockholders, and turn it back into social services, and you thus have my definition of a non profit organization and I question whether or not you can really raise equity funding upon which to overlay in a situation like that.

MR. WEBSTER: Thank you Doug.

You've raised a lot of concerns that I hope we'll get into later, both in terms of the next speakers and in terms of our audience interplay.

We've got a unique opportunity here. Our next three speakers are gentlemen with very different views about public ownership of Cable. We've got Mr. Jerry Minford, who is the city manager of San Bruno, which actually has a publicly owned cable system. We have Mr. Richard Loftus, who has been in print, quite vocally opposed to, I suppose that is putting it mildly, Dick, to public ownership of Cable, and we've got Dr. Hetzel from Detroit, who is a member of the Committee, CATV Study Committee, appointed by the Common Council of Detroit, and they came up with one startling conclusion. Their thinking was that cable communications were so important, so vital to the future of the citizens of Detroit that they should not be laid in the hands of a private commercial operator, entirely.

I want to hear these three gentlemen in the order that I have just spoken to them. First, Mr. Minford, then Mr. Loftus, then Dr. Hetzel.

MR. MINFORD: I am going to modify my original comments somewhat in light of some of the comments that have been made previously, but some of the things that I am going to say are reflected somewhat in the comments here today, only those that I am going to refer to took a little different approach to it. Mr. Jarvis, I think, has a little inadequate information and knowledge about the -- and understanding of city government and how it functions, and is a little bit naive about these politics. He obviously has not seen very many of our planning directors when he talks about us wearing -- not being able to talk to people who wear wild clothing, or wild hairdos, or happen to wear a beard. Understanding is not reserved to the private sector, acceptance is not reserved to the private sector.

I'm going to talk to you about the San Bruno Cable Television experience, and the private CATV operators efforts to discredit the success of that system. If my comments seem a little barbed, it's because we have been rather badly maligned throughout the industry and I'm going to take a couple of good sharp pokes myself.

Cable ownership is a good investment for the people of San Bruno, California. This is a community of 37 thousand people. Like many cities, we were approached to grant a TV franchise. Our initial response, without investigation, was, who in the hell can make a profit on cable television when we sit only five miles from TV transmitters for five stations, and we are within 30 miles of four additional stations? A brief investigation paid off for us however. We learned why our franchise was so eagerly sought. The profit picture was so favorable that we thought the citizens of San Bruno were giving away such a profitable monopoly in exchange for a rather meager return from the private cable television companies. This seemed a bit unfair to the public. The right to franchise and use the public rights of way throughout the city belongs to the people. The best possible use in return on the use of those rights is a justifiable goal and position. Added to that is the desire to bring the best cable service to the community, and to be prepared for those future uses of cable television that may develop.

I did not have the benefit of yesterday's meeting here, but I have in other seminars, and I can only assume that you have already been exposed to some of the great problems of television, either here or elsewhere. If you were to listen to private television companies, you get the impression that most cable television operations are marginal at best; that's why they compete so hard for the franchises; that's why public officials are lobbying, wined and dined and in a few cases even bribed to get franchises. That's why the cable industry, as a whole, or so it seems has stooped so low to discredit the city of San Bruno's cable television operations. Every effort is being made to make it appear that the leaders of San Bruno place their political future, and their community in a jeopardy just short of total collapse of local government. If some of the private companies had entered into the community franchise, in various communities, based on as much research, and with as much business acumen as the leaders of the city of San Bruno, they would not have so many losing or marginal operations to use as examples of pending doom for any city that might consider public ownership.

Should every owner -- city own its own cable television? Of course not, it's ridiculous! There are to many factors that would vote against this. To own a franchise must be a cool hard business decision made the same way that a private operator makes it, judging the risks, judging the costs, judging the return and judging what the community wants and is willing to support.

My purpose in this presentation is to encourage cities to at least consider public ownership as one of the alternatives available to them. I don't intend to advocate public ownership but I do intend to correct the false information about the San Bruno cable television experience. This, I feel, is important. It's important because I think a conscious effort has been made and a smear campaign is being used, nationwide, to discourage other cities from even looking at public ownership. What is the truth about our system? Let me tell you how it began. Let me tell you the truth.

In 1967, San Bruno was approached for a franchise. We soon discovered the reason: A profitable market picture, based upon poor reception of some stations; inability to receive all stations that were available, and interference from various sources, including airplanes from the San Franciso International Airport, and the bounce off the adjacent mountains which create shadows or ghosts.

To investigate the potential of the market, the city mailed ten thousand post cards to residences throughout our city, by using our water building office. The questions were: "would you subscribe to Cable Television? and " would you favor a city owned project"? The The results were quite remarkable. We received a 37% return which, any of you who have conducted surveys, will recognize as a fantastic return, and an 8% return is often considered valid. 60% said they would subscribe, 62% favored city ownership. Based upon the post card survey, the city started feasibility studies to determine cost estimates, financing and revenue projections. Jerrold Electronics, which has much experience in cable television system design, was hired to prepare the preliminary engineering and construction cost estimates. The Stanford Research Institute became interested, and decided to conduct their own market study. Their study confirmed the city's study. The decision to pioneer a field of municipal ownership was made.

How San Bruno financed its system would not normally be thoroughly important, since every community is going to have to figure out its own method of financing. This will vary from state to state, whether or not they are general law cities, or charter cities, or some other type of city, as set forth in another state. Each state has different rules, but our method of financing is important, because I need to refute the charges of financial and political responsibility made by some of the leaders of the cable TV industry. They have made their charges nationwide, I believe, to discourage consideration of public ownership.

Our initial construction was financed from loans from uncommitted water and general fund reserves. It was a three-phased project, the first phase being financed by a loan from the general fund reserves and the water fund reserves. Phases two and three were to be financed from cable revenues. Phase one included the headin and studio building, antenna headin electronic equipment, of 46.7 miles of trunk and distribution cable, including all the amplifiers, distribution caps, polling clearance service taps and tree-trunk, at an estimated cost of five hunred and five thousand dollars with 5800 potential customers.

Phase two, an additional 15.3 miles of system with 4600 potential customers. This was to be, and will be, our best revenue area since it receives the poorest reception in the area, estimated cost, one hundred and forty thousand dollars.

Phase three, another 13.4 miles of system, with only 1300 potential customers, estimated cost one hundred and thirty thousand. This was left to last because it was covering sparsely covered areas and the cost of installation was higher per customer.

During the first three years of the operation, the revenues received above and beyond operating and maintenance, and operating and maintenance was to include a 7% interest paid to the two funds from which the money was borrowed. This is to be used for financing phases two and three. We are ahead of schedule. Phase two was to begin two years after completion of phase one. Revenues exceeded our projections, so phase two is under way at the present time about one year ahead of schedule.

All loans from city reserves were to be paid, be repaid with interest within 7 years. We were wrong there too. If revenue projections continue, and we believe they will, these loans will be repaid two or three years early. Part of our optimistic projection is based upon a number of 10-year binding contracts with apartment complexes, that will produce over 325 thousand dollars in revenue. New contracts to increase that amount are anticipated as new apartment complexes are developed.

If no one else subscribed to the city -- to the system, the city could still pay for the system, but others have subscribed. We have been in business less than one year, and we have 40% penetration in the areas served. Our disconnect rate was very low, and most of it is people moving. We are making new connections at the rate of about 8 to 10 per day. The city did its own selling, up until this last sales campaign. This got into the area of the hard sell and we -- recognizing that we were not expert -- had no expertise in this area -- contracted outside, and it's going very well.

After the system is paid for, we project over $200,000 per year in profits. This can be used to provide new cable TV services, or it can be used for capital improvements, cultural activities, better parks or reduced tax rate. The options belong to the city council. As you can see, cable TV in San Bruno is a good business investment. I've told you the truth about the finances of San Bruno and I told it to you because articles, throughout the cable magazines, and presentations made at seminars, have tried to paint the system as bankrupting the city of San Bruno.

Now, let's look at what those who want the franchises are saying about San Bruno's cable TV system. Numerous derogatory and nationally circulated articles have maligned our system. For example, Donald Williams, Vice President of Cox Cable Communications Inc., Vice President of California Community Television Association, and Western Regional Chairman of the NCTA Legislative Committee, and Spencer Kaitz, a special assistant, General Council and Assistant Executive Secretary of the California Community TV Association which represents more than 200 cable systems in California, recently wrote an article opposing municipal ownership.

Here is what they had to say about the San Bruno system: I am not going to read the whole article, only that which relates to San Bruno. "Only one city in California has decided to construct municipally owned systems -- San Bruno. San Bruno's experience bears testimony to the expensive and risky nature of cable television systems. San Bruno decided to construct a cable television system with optimistic projections of an immense profits to the city, which will be used to reduce taxes. Money for construction was to be taken from the city's water fund. Although the feasibility study projects -- projected costs of $259,948 to date over $500,000 from water fund money was poured into the system. Costs mounted so quickly over projections by inexperienced city officials, that before the system even began, operation of fee for CATV service was raised from 4 dollars to 4.75 per month. Moreover proposed services have been curtailed. San Bruno asked the FCC to relieve it of the FCC imposed requirement that the system originate.

"Construction was slow, residents were unable to secure cable TV for several years. Water services have suffered from lack of adequate funds for replacement, and water rates have been increased. Irate taxpayers held a recall election in which two new councilmen were elected. There is a little more, I am sure, Oh, yes. The San Bruno system has been a source of continued political controversy within San Bruno. See, for example, San Bruno Times story appearing August 9 -- 8th, 1972. Ex councilmen unhappy. Bruno TV deal under fire from which a former San Bruno councilman leveled a scathing criticism at San Bruno's cable television system.

I'd like to go back and start correcting these. Number one, the cost projections were not made by inexperienced city officials. They were made by Jerrold Electronics; they were different from the original because we also changed the system. We decided that we were going to have a first class system, and we added to it. We have some unique problems in our areas, and we decided to go even as far as having connectors designed especially for our system and this raises the cost. We have high wind problems. We have the potential of corrosion problems from the ocean air, and we designed very waterproof, and very secure connectors, above that, that was available on the market.

I must give some of this because I was -- have some time for requirements but I want to -- they say we dumped the FCC requirements for system origination. I think you will find it also in the private sector. One of the reasons ours has not been acted upon is that there is a long waiting list of private people also asked me for the same right. It is a relatively new requirement, and we find it especially true in new systems that origination is to lay.

Our water services suffered from lack of adequate funds for replacement and the water rates were increased. Our water services have not suffered whatsoever. In fact, the very time we were doing this, we were doing a very large water project. The water rates went up because the city of San Franciso, whom we buy water from wholesale, at least a portion of our water, increased their rates, costs go up, and any good businessman evaluates his system, and makes sure that his operating revenues and his operating expenses are in balance, so he doesn't bleed his reserve funds. It had nothing to do with cable television.

Irate tax payers have a recall election in which two new councilmen were elected. Cable television was not the issue; the city manager and his method of appointment was the issue. Two new councilmen came on the city council at a time when the city manager had resigned and they had received applications. Without even looking at the applications, the two of them joined the third councilman and hired a 28 year old man, who had never worked in the city government. This led to a few problems, especially with the other two councilmen. So these two of the three were recalled, and I was appointed city manager after an 8 month period of recruitment, so cable television had nothing to do with it.

By the way, one of the councilmen that was recalled made a statement about the water services, and they used footnotes for that effect. That same councilman, who was recalled, as they infer, was supporting cable television, made the statement, which they then referred to in support of the opposition cable television in the San Bruno Times story -- ex councilman unhappy. I think they better make up their minds how they want to use the man. Either he was thrown out for supporting cable television or he's been quoted later in opposition to it.

The rest of the article I won't make reference to because I don't really have the time, but I think if the rest of it is as invalid as that portion of it, I don't think much of the rest of the article. Mr. Williams and Mr. Kaitz, and others, have been, I think very irresponsible in their discussion of the San Bruno's cable system. They choose only that information, often out of context that supports their position, making no effort to determine if it is accurate or if it is reliable. Mr. Williams and Mr. Kaitz use footnotes to give the appearance of authenticity to their presentation. They happily, and probably knowingly, quoted false and inaccurate statements made by others. If their research, in researching a new franchise, has the accuracy of their research for this article, I would assume that they would have some unprofitable operations, but I think that's not probably true because these gentlemen have become very prominent in the field of cable television.

I assume that they got there because they did their research well; they made good decisions, and they made a profit in cable television, so I can only conclude that they used the material deliberately. These tactics, and I think they are unethical, say one thing to me -- are some private cable executives afraid that the cities will learn what the truth really is about cable television? Is it possible that they fear if cities come to understand the economics of cable television, that cities will not so readily accept the request for rate increases? That cities may ask for more service, or better quality in reception? Do they fear that requests for franchise extensions and renewals will get closer and more expert scrutiny or will this truth become known that municipal ownership can be the best approach to cable service for some communities? I say some communities, not all.

There must be significant merit to municipal ownership or such efforts to discourage cities from even looking or considering it seriously as an alternate franchising would not be taken. The extreme measures in articles and seminars across the nation, I think say something. I can't tell you that municipal ownership is right for you or your city; only careful research and analysis can indicate that. I can only say that you should seriously consider it as a possibility. You must approach it with the same research, the

the same careful analysis that a businessman approaches getting into a risky business. How risky the business will be will depend upon your own community and the factors that surround it.

Those basically, are my comments, and I told you I was going to take a couple of barbs. The reason I came here is because I think it was an opportunity to correct not one article, but a whole series of articles, and efforts by private cable television, to discredit what is happening in San Bruno. We have a viable system. This does not mean that every city can have a viable system, but I fail to understand the great threat, and why such a vast effort must be made to discredit public ownership. I think there is room for both. I think there are many pluses and minuses on ownership by public and by private. I think a good argument could be made in both directions. Each city is a special case, with a special problem, with a special goal, and the goals you have may very well determine whether you go public or enter into private franchises.

MR. WEBSTER: Thank you Mr. Minford. We will now hear from Richard Loftus, the President of Amvideo Corporation.

MR. LOFTUS: There is a CATV installer down in Del Rio, Texas and he was asked to testify in a divorce case, so he got up in front of the court and the judge turned to him and he said "Clarence," he said, "would you kindly inform the court precisely what happened on the morning of August 14th, 1970?" Clarence said, "Well, judge I'll tell you. I'm up looking through this window, this good looking Annie Oakley comes walking through the door. She ain't wearing nothing but a negligee, well, she takes it right off her, she does and she hops into the sack." The judge says "Yes, what happened then". He said, "Well, then that old Texas ranger, the one sitting over there, he comes walking in, twirls his mustache, drops his breeches and hops into the sack." The judge says "Yes, well what happened then". He said "Well, then my God Damn bucket broke". The judge said "You mean to tell me at this precise moment, so important to the outcome of this case, your bucket broke". The guy said "Well, hell, Judge, by that time there was 14 of us in it". (laughter) And that's very much the way with CATV and municipal ownership and a lot of other things, because you get up there and some people see a pretty girl and all of a sudden the bucket gets full, and it can collapse.

Now, I think Jerry has done a good job vindicating himself and the city of San Bruno. I'd like to go on record as saying, and I have written several articles concerning municipal ownership, and I can honestly say that at no time have I specifically or obliquely referred to the city of San Bruno or maligned it or its city government in any way, shape or form. If others have done that, that's been their business, but it has not been me. But I am very strongly opposed to the concept of municipal ownership, and I'm not talking about public ownership. I'm a member of the public and I don't own anything. I'm talking about the municipality owning and operating a CATV system.

I was told by a lot of people in the industry, whom I respect. They said, "Dick, don't get up there and wave any flags and talk about free enterprise, this isn't what these people want to hear about". Well, I'm sorry, I'm not trying to wave a flag, but I think it is something you have to approach. CATV is a private service oriented risk business. It does not purvey to any common need. It rather caters to particular wants. Ownership and operation of such businesses have historically and properly remained the problems of private enterprise. This is a free capitalistic society. I cannot see why you should have municipal ownership and operations of CATV systems any more than a municipality should run a newspaper, a motion picture theater, a restaurant or a dry cleaner.

That's a very strong philosophical point, and its very important. What the hell is wrong with private profit? That's what founded the capitalistic society, which is the United States of America. Now, if populism should change that and if municipal ownership of CATV systems should be caught up in it, then let's accept the fact that we are turning our back; we are reversing away from the basic postulate of a free enterprise, private capitalistic society, to a populist non-free capitalist oriented society.

CATV in the modern sense is evolving into a multi-faceted communications service. Some of the facets are merely passive. You're merely delivering information which is supplied by others. However, increasingly, the facets are becoming active. CATV is beginning to generate,. through origination, access, lease and the like, its own information supply. It can and probably will become a media, or at least a media force. The concept of any governmental entity having physical and political control over such a broad means of thought delivery, especially when the means is, as a CATV system is the only game in town, to me has staggering and frightening implications, and I for one cannot accept the argument that it can happen here.

The point should not be taken lightly. I shudder to think what one Mayor, in one particular town that I happen to know of, would do if he had control, as he has control of so many other things of the origination capacity of the CATV system. I maintain that media control is better invested in the private sector, separate, but still affected by politics rather than in the government sector, dependent first upon politics, and then upon the market place.

I truly regard municipal ownership, and operation and control of CATV as a threat to the freedom of electronic speech. Moreover, a continuing trend of municipal ownership would soon place municipalities, large, medium and small, on a collision course for control with the Federal and state governments. You must remember that no municipal ownership of CATV involves just how the municipality builds and operates its system, but how it also enfranchises itself, how it also governs itself in that operation. Municipal ownership means self enfranchisement, and self enfranchisement means political control. It is not to malign the city of San Bruno. It is not to malign any city, but you have an imperfect society, and politics are politics, and politicians will be politicians, and what one city council may ordain for itself, what it may declare for itself, another city council, or that same city council can change. In such a situation, stability is fragile, and politics, as opposed to enterprise, can, and in many instances, certainly will control.

I shudder to think of the day when the elections are won or lost, for mayor, or councilman, or alderman or whatever, based upon the quality reception on Channel 2 or Channel 4 or Channel 6 or Channel E, or whether or not your converter works.

Increasingly as states expand their control, you have state regulation. New York, Massachusetts, Vermont, Rhode Island, Nevada, Hawaii, have it and it's coming in New Jersey. It's coming in a lot of other places; their dictates and mandates to the municipalities, with attendant friction, and confusion, will develop. Moreover, both the states and the municipalities will have to learn how to deal with, and adapt to, strong Federal controls, which are not highly favorable to CATV development, and are still in flux. As with certain environmental standards, perhaps CATV ownership and operation by a municipality is probably for the first time running head on -- head on with a Federal agency, telling it what it can do, when it can do it and how it can do it.

The concept of initial self enfranchisement and municipal ownership also carries with it the tacit concept of municipal takeover of existing CATV systems. For if the town of San Bruno can self enfranchise itself and go out and build and operate a CATV system, so, too, can town "B" which now has a privately owned and well-operated CATV system, take over that system in 1975, when its franchise, let in 1960, expires. Again, municipal ownership means playing politics with politicians. But the deck is stacked. They get you both ways. If municipalities start taking over CATV systems, the fragile economic basis for this industry, the risk basis, the venture basis, the future service basis, will be torpedoed. You won't be able to find a venture capital needed to operate, grow and develop new technology or services beyond the end date for your franchise period.

If your franchise has four years to run, and you got to update your system, or your Federal requirement state is such, and the history of municipal ownership can take over, develops, you are not going to get the money. The risk factor is increased to the Nth degree. No investment, not returnable before the end of the franchise period, will be an acceptable risk.

In the theory I've tried to develop constantly the concept of politics. And anybody who thinks a municipally owned and operated CATV system is not going to become a political football, is naive. Like or not liked, it's a football, depending upon who's got the ball and what down it is. The practical stand, the basics, are also important. Yes, it works in San Bruno. I think the exception would prove the rule. Of course it works in San Bruno. It worked for the city because they run it like a business. It's a business they should not be in.

How many cities have ever owned anything and made a profit other than a concession in the basement of the town hall or something? How many have, how many have the ability and the sophistication that the city of San Bruno has? San Bruno is very fortunate, it has a fine government, it is competent, it has a good tax base.

Our rivers are polluted. I had a briefcase stolen out of the car last night. My wife was beat up on the street six weeks ago. People are on pot and heroin. Let's get our priorities straight.

The cities want to go out and become TV producers. Cable TV -- my property taxes go up every year. Let's get our priorities straight. CATV can be a political lame duck. The city of San Bruno was right. They made a good judgment, and it worked for them, so the politician can stand back and say "see what I did". Gerry can come in here and say "the things are lies, they are wrong, we're making a profit", but suppose you don't! You make a profit, so what? The people aren't going to hear that. It's going to be ripped off somewhere else, it's not going to come back to them, but suppose you don't make a profit, then what happens to the political base, then what happens to the relationship between the citizens in a community? If fire trucks are in disrepair, and you're designing special taps to put into your lines, how about the FCC 3% limit on franchises?

The FCC rules and regulations are intended to help CATV develop and evolve into a broad base service communications media force, not stricly dependent upon broadcasting, but it can survive on its own. For that reason, we don't think that municipalities should charge 15% of the gross revenues of the franchise fee. We are saying that 3% is the basic limit. You got that hands-down, you want 5% coming in, prove how you work it. Now if that's the Federal policy to develop an industry, does that mean that the profits realizable by a city-owned CATV system are going to be 3% of gross? Does the FCC, does the Federal government have a policy that supports isolated municipal ownership at a profit of CATV operations so that the city can fund new garbage trucks? I don't think so. I think it's a collision.

But to come back to the basics, what I don't understand is why do you want to own it, with all the headaches, with all the risks? You know, you can't just take the profit. It's going to go to the revenue bonds, it's going to go to something else, but really isn't the basic thing control? Isn't that really what the question is, not do you own it, but can you control it? Can you truly get from it what you deserve? Let the businessman make his profit. You have a city, you have a municipality, you have citizens, you have a public interest to protect. Control it. If you are sophisticated enough to build a sophisticated CATV property, and run it at a profit, you certainly are sophisticated enough to enfranchise it in such a way that the city gets the benefits, without the risks, without the headaches, and without the problems and I am not talking about San Brunos.

Let's talk Hoboken, New Jersey where I have you build a CATV system, pass 16 thousand homes, 60% Spanish speaking people. Get the services through the franchising process. You get a channel for the education, minima; you get a channel for the government, minima; there is an access channel, minima; there are other channels you can lease. You can get three more if you prove a need for them. You get 3% to 5% of the gross income, without the risk. You get ancillary tax benefits, property taxes on the CATV system. Aren't there ways that you can protect and control and gain benefits to the municipality through the franchising process and through the political controlling process and still leave it in the private sector?

Municipal ownership, municipal takeover can erase the overall economic basis for CATV. It's a risky business you are playing the market. You are paying high interest rates. High multiples are paid for the stock. That happens to be how our economic systems work, not how it works for the municipalities. They deal with revenue bonds or tax bonds. That's how it works for our industry and our business. There are going to be people coming up to the municipalities when they own it, maybe me. Hello, City of San Bruno. I want to lease two of your channels for paid TV. I want access. I am on welfare, I can't afford the cable. I want it for free. I have a right to have it. It want the municipal information. I want the originating programmings put on by the city, I have a right to have it. I am a citizen. Isn't it better to leave it in the private sector and control it through the franchise process?

I come back to the basics -- own a newspaper -- own a dry cleaner. There is no difference. It's not a common need, it's a business. Man has to tell you it's a business, but I don't believe that it's the city business.

MR. WEBSTER: Thank you Mr. Loftus. Our final speaker this morning is Dr. Otto Hetzel, who is Chairman of the Cable Study Committee, Detroit Common Council, Detroit, Mich. Dr. Hetzel.

DR. HETZEL: I think maybe I better correct that introduction. I happen to be one of the members of the Committee, but maybe a couple other background notes might be appropriate for what I plan to say. I was Associate General Counsel for the Department of Housing and Urban Development for a few years. Before that I practiced extensively in California with the Attorney General's Office, and my practice was involved primarily in the area of anti-trust and trade regulations. And I guess there is a tendency, I suspect, on a panel, as we get strong views, to polarize here. (laughter) I don't mean to -- and I probably will slip into that I'm afraid. The Detroit study in which I participated essentially came to the conclusion that we ought to take a look at, not necessarily that it was the thing for Detroit, but that certainly we want to take a look at the alternative of public ownership for a city, even a city as large as Detroit. We did that in part because of our analysis of the operation of the cable TV industry, what we saw in terms and kinds of services, what we saw in terms of costs. I would suggest that the key issues, in such a response to Mr. Loftus, are what are the costs to the city? What are the costs to the public? What are the services that the system can provide? In a sense, we went around in a backwards way to the normal analysis. We said what can this system provide for the city? We felt as a public study commission that might make our, at least, our primary agenda item.

Secondly, we wanted to look at what the costs were. We then measured the systems and the alternatives based upon those criteria. I think our feeling was that if we looked at services first, and then we decided what kind of profit potential the system would have to have, what kind of revenues it might have to have in order to support those services, that we could then decide in the most effective way, what we as the Public Committee, felt cable TV ought to bring to the city of Detroit.

Let me go, however, to a major issue that I think really underlies the entire, as I saw it, presentation in terms of free enterprise by Mr. Loftus. As I heard him saying that we should rely upon the free enterprise system, I was clearly brought back to my days in California. As a matter of fact I represented the city of San Bruno in one of my cases, trying to recover damages from illegal price fixing that occurred against the city, and at that time, one of the things that I learned, I think it's still there in my books, is that something rather contrasting to the free enterprise system was when you have a monopoly.

It seems to me in one sense that that's exactly what we are talking about in terms of cable television. These are, admittedly not exclusive franchises that are granted. However, I would suggest there are a very few that will ever be built in competition to an existing system, that somebody will come in. That may happen. If it does, the system there is obviously so bad that there is no system to speak of, because that's the only way somebody else could probably come in and compete, just in terms of the basic capital cost of putting a system in.

If you are talking about a monopoly, I find it very difficult to talk about saying let's leave that totally to the free enterprise system. Let's say that that is a non-regulated area. It obviously is a regulated area. We have a number of other areas in our economy that are regulated, because of the very fact they are a monopoly status. It seems to me that we may be talking about, as you see the specter I guess Mr. Loftus sees the specter of state regulation coming in, and creating a three-tiered approach. We are talking about why does that happen? I suppose it happens in a large part because everybody in the public domain starts looking upon the services, the public character of cable television in such a way as to say, this is really something that should be regulated in the public interest because these are the kinds of things that we classify in terms of public services and public utilities.

Now there obviously can be basic disagreemtns at this stage of the growth of the industry as to whether the cable television industry has reached that point. Obviously, it has not quite reached that point in the sense that that kind of public utility regulation has been imposed upon it except in very infrequent situations thus far. It obviously is controlled, however, by the FCC. There are controls that each municipality is required in its own self interest, through the franchising process, to place upon the operation of Cable in the area. I would suggest that the franchising operation is the same as it would be applied to an electric company, if it was privately owned. It is the same as would be applied to anybody else, the water system for instance, that comes within the city and uses the streets. At the same time, because of other aspects of cable television, it is controlled in other ways, but if you look at the analogies that I have just made, you can also see that these are closely regulated public utilities in large part. And I will concede that the analogy is not perfect, but I think it is not perfect, but I think it is rather close, and secondly, I would suggest to you that there are a number of both municipalities and rural systems and other kinds of systems that are essentially publicly owned, whether they are municipally owned, whether they are investor owned, whether they are non profit owned. These analogies seem to me to lead to at least the basic reputation of the fact that this is not an area for the public -- in terms of public ownership, the kind of vehicle, to be involved in.

It is not a dry-cleaner. I think that it has many characteristics far and above in terms of services, in terms of what I suspect if the emotionalism we've heard discussed here in terms of removal of the TV set, over electricity for a stove, and a refrigerator, is such, then I suspect it may well be viewed as a rather critical service and a public service at that.

Let me get on, however, to what I consider to be the kinds of discussions that I have observed thus far, in terms of the issues of public ownership, aside, from the presentation of San Bruno. And I suspect that because of size, obviously in terms of Detroit, we could not be guided by the -- I think there are 11 or 12 cities that have now taken on some form of municipal ownership, we could not be guided totally by their experience. We felt that they had certainly indicated that it was possible for this kind and form of ownership to occur. What I think one can really say, and I'm certainly not going to pass myself off as an expert on this, is that nobody really knows, in terms of large scale cable system operations, whether public ownership, whether it is by municipality, whether it is by a special public authority, or whether even perhaps by some non-profit operational vehicle, whether it is going to work. It seems to me that what -- when I hear the call going out from the private industry is don't try it, I think Mr. Minford, very effectively reported that aspect, I think as a matter of fact, if nothing else from what he said, that the equivalent of a TVA to provide some guidelines, some yardsticks, that same argument, it seems would have quite apt utilization in the cable television area.

We do not have good yardsticks as to what it could cost in terms of rates, in terms of whether or not the operations of the system can be developed in various ways that will reduce costs. It will give us some kind of a yardstick, as TVA did in terms of the power industry, and I would suggest to you that if it falls flat on its face, and it shows that private enterprise does a hell of a lot better job than the public can, then I suppose if I were in the private industry side on this, I would be very happy about that, obviously. At the same time, I see no reason why they should not allow the experiment, why they should be so resistent to the experiment, or why they should be so shrill in their attacks on it. I guess it comes down to the variety of specters that are seen on the horizon, the fact that somehow cities, the public authorities are not capable businessmen. That the specter of having somebody come in to compete, the specter of personnel differentials is part of it. As a matter of fact, I was going to suggest that if Mr. Loftus is as good in his management of cable systems, that if Detroit constructed and went ahead with a public system, or any other municipality, created some kind of a public authority, or public ownership vehicles that, as they well can do, that they contract out the management to Mr. Loftus, or someone who has the equivalent ability, in terms of running a system. I see nothing wrong with that. It seems to me, as a matter of fact, that's one of the areas where you can, in a sense, buy the kind of management potential that is needed to effectively run these systems. And I think that, that is really a red herring in terms of that kind of an issue. I don't think there is any doubt, that particularly in terms of the public authority model, you have analogies to such things as port authorities in New York, in Oakland. You have airport authorities in various places in this country where they have the ability to get the kind of personnel, the kind of talent and capacity to handle these jobs. So then you come down, it seems to me, if you can meet these to

So I'll just raise the question then -- why -- why, if it would be equally profitable, do you have the government in it? I guess the answer to that is that at least in Detroit, we suggested that the service level that could be provided to the public would be increased. If a profit firm legitimately has to get its profits out, to pay its stockholders, to provide dividends, those same profits could be applied to enhancing the services available from the system. I suspect that that's, as the model from San Bruno indicates, what is happening there.

I think the one other issue that I would like to talk about, very briefly, is the one of political control and I think that -- I'd like to hark back to Mr. O'Neill's earlier comments, there is one rather critical one, and this is where we in Detroit move towards consideration as one alternative of the public ownership model. And that is the fact that there seems to be no reason not to divorce the construction, development and the ownership of this system from the responsibility for programming. What Mr. O'Neill said is essentially a common carrier model. If you do that, then it really comes down to the question of about how much does it cost to finance and develop for the capital cost of the system, and how can you do that most effectively?

It was our opinion that there seemed to be some cost advantages to run through the public model with revenue bonds, through a public authority. It may come out; hopefully Detroit will be developing the kind of figures to take a look at these various alternatives for the city. It may come out that's not the case. I suspect, however, that if any of what I consider red herrings about differentials to the question of whether or not a public ownership model can run the system as economically and effectively and come out with in a sense lower cost to the subscribers, and certainly as many or hopefully more services than would be available under the private enterprise model.

I think that issue really comes down to one basic factor which is (1) financial and we've heard some discussions on that. I would suggest to you that if the financial community is willing to go along with this kind of investment and I suspect they will, they will do so only when there are some very hard figures. The kind of hard figures that San Bruno had, and I think that any city that would think of going in terms of public ownership better have the kind of analysis and the kind of hard figures that were obtained by San Bruno. I think it is just rank foolishness to consider going ahead without that. You are not going to sell the bonds in any event, so unless those kinds of analysand study are performed, there really is not any potential of public ownership. Because you have to have those kind of figures to justify the sale of the bonds, and the underwriting of the bonds, and the various approvals that will be required. If you have that, I would suspect that it reflects that the system will be profitable in the sense that it will return sufficient revenues to provide the pay-off on the bonds, and provide the services, and the same profitability could be available obviously in the area through a private entrepreneur.

the urban systems are profitable, and I think that's something you shouldn't hand on to public ownership, I think Mr. Jarvis suggested that some of his banker friends had very grave concerns about the general viability of Cable in urban markets. We, in Detroit, had some very grave concerns about the viability of cable in urban markets. On the other hand, there is an awful lot of people knocking at, both Detroit, and I can name you 30 or 40 other major markets trying to get in. And if the industry has that kind of confidence about the profit potential and the ability to pay off their equity financing, I see no reason why the public could not do so.

In terms of political control, this issue of the common carrier status is rather critical, because it seems to me that provides the basis for allowing a divorcement, we might say, between the responsibility for essentially constructing the system, and providing for its maintenance. And you can divorce that in terms of whether it's an overall lease of channels out to various, as we have suggested, to various different entities to spread access to. As a matter of fact, to come back to what I consider to be potential political repression in any event, it seems to me that the more people you can give access to the system, the less chance there will be for repression. If you have 10 or 12 or 15 or 20 or even 40 different entities programming a system, I would suggest to you the ability to shut those 40 entities off -- there is going to be a lot less than perhaps the kind of subtle controls because of both the FCC, in some places and the state, and also the local controls, that can be exercised upon a private franchisee. I see no difference in terms of the kind of controls, and the potential of those controls, and yet I would hope that maybe having a variety, a large diversity of people having access to the system for programming purposes, versus what I can well see, which is a system operator having essentially control itself, of some 40 channels on some advanced systems.

It seems to me that again, that issue of political control is way overmagnified. Now I can only say that, as I said, really with confidence, if you look at a common carrier model, where there is a leasing of channels, and where there is essentially an understanding and a freedom and some protections built in, in terms of the relationships and the contract devices. I think that given our timetable here, that I will cut off at this point. I'm sure there are going to be rejoinders to the various things that have been said here, let me just conclude with that.

MR. WEBSTER: Thank you. We've got about one hour and ten minutes for what will probably be the most exciting part of the morning. (laughter)

A PANELIST: Thanks a lot.

MR. WEBSTER: We've probably been relatively dull up to now. There are a lot of things that I suppose I could say as moderator. I'm not really going to say anything. Just for the record, there are presently between 18 and 20 municipally or locally -- public owned -- government owned systems -- cable systems, ranging from a low of just over a hundred to a high of I guess about 5 thousand. Most tend to be on the low side. Many were started early. One of the reasons was that it was felt in many of the local -- in many of the areas that have small municipally owned systems, that private capital would not be available, or that private investors would not be interested in investing in those markets. Also, there are in excess of 30 systems owned by subscribers of cable. Now, obviously we have not covered every possible issue. I don't think that we ever can, today. We have not really looked at, in great detail, the vast implications of public ownership, and I'm sure we will to some extent over the next hour and ten minutes.

Nor have we discussed, on a theoretical basis we are not -- obviously we can't quite be sure practically right now of the impact that public ownership could have or will have, on cable communications. It is not clear, for example, whether the impact that public ownership has had in the power field or solid management has been positive, negative or neutra, or non existent. At any rate, let's start from here and let's get into it. I guess I will open the door -- any panelist or any one in the audience who wants to start? Yes, sir-- in the back. Can everyone hear him?

A PARTICIPANT: First of all I want to make it perfectly clear that New York City has no intention of getting involved - one of the reasons is, I guess you've been in the subways. However, I can't help but think that there are some very interesting patterns that are going to come out in the future that may give us some second thoughts that these patterns are based upon a technical characteristic -- future characteristic of broadband systems and some of the regulatory aspects. Let me discuss very briefly the technical area. If you consider for the moment an urban communications system, really consisting of three pieces, a cable TV system that will bring audio visual entertainment signals into the home, the public service dedicated set that will provide specialized services to the municipal authorities municipal agencies, Federal and state agencies within a city, and finally an institutional net of the same kind with a fairly massive - I mean providing service and dedicated service into business and industry. I think you really have to ask yourself whether you can expect a cable operator today's cable operator and those I can look forward to in the future, in the near furture, to be responsible for providing that entire kind of service to a medium to large size city. It seems to me more than likely that the cable operators that we are dealing with, that we have talked to and dealt with in the main are mostly interested in and should be mostly interested in the so called cable TV market. That's what they are financed to do, that's what they are trained to do, that is what they are peopled to do. The guy that goes on and sells $6.00 a month services to homeowners, is not the same person or the same company that sells a large Bank, such as Chase's or First National or Bank of America in San Francisco, any place you want to go sells them on data services, dedicated data services that might collect as much as a quarter million dollar revenue a month for those kinds of very highly complex services.

Now, this brings up a very interesting issue that we are concerned with, and that is we would like that some of these services could be fed or interconnected into home services as well. It may be that the Bank would like to sell somebody who wished to pay for a terminal to interact with his bank so you have an interactive issue which brings up a very fascinating issue as to the massive requirement of interconnect between these three kinds of systems.

And I suggest that there is a, what we are leading to in the future, may be selective ownership of pieces of systems, by the city and that municipality might be involved in. I also suggest that in the future, for example, in this particular case, the municipality might decide to handle the entire interconnect problem itself. From our own experience in New York City we have trouble with interconnect with two systems. What are we going to have when we have fifteen? Now the other issue - I don't think it is going to be left to the cable operator for a couple of reasons. One, it's a complex issue that perhaps he is not prepared to handle, inseparable for a lot of different cable operators with all kinds of potentially different standards. It may be difficult and the easiest way to get out of it is to do it ourselves, supposedly.

The other issues that I think we ought to look at is that I foresee - and I think this panel did not spend enough time looking at the possible futures of different entities that are going to come into the business, - I see organizations that will construct systems but will not own them. I see organizations that will run systems and neither construct them nor own them. And I suggest that a municipality might decide to have the system constructed for it and then contract other cable TV services, to a cable operator who will market and sell and you allow him a couple of channels to use for paid TV services. The rest of the systems could be operated common carrier by the city, or for the city, or the city could do it itself.

Now, just one very brief point which is a little bit off of this but I also suggest that the problems you have given some of you who fought against ownership, have said that the cities are going to get involved in what they ought not to be involved in. Any city that awards a franchise and accepts a reasonable responsibility for regulating that franchise will find itself dealing with customers whose services are being turned off. And they will find themselves dealing with customers who are getting poor service, and the city agency will find itself dealing with a customer who has had cable put on the back fence, or his garden torn up. The fact of the matter is, that if you are reasonably responsible and do want to regulate the system, you are going to be involved in it equally as the cable operator.

And when the FCC comes along and says that we are going to limit you to 3 or 5 percent, I sometimes say who the hell needs it? Maybe a city ought to look to the future and say why should we accept this limitation for the work we are going to do anyway? Why don't we look forward to some kind of ownership and can get more of the money. We are going to have to review these problems anyway.

MR. WEBSTER: Thank you. Just for purposes of stimulating discussion after the panel is over, and during the rest of this conference, I am going to ask each person that stands from the audience to give his name, so people can contact you later. That was Herb Doroick from New York City. Anyone want to respond to that before we hear this question?

A PANELIST: Yes, I would like to make a couple of comments here. I think that one of the panelists here made the comment that the gut issue is the total viability or urban cable systems in general. And I think that this may be the common bond between public ownership, as well as private ownership, because it is a common bond between public ownership, as well as private ownership, because it is a common problem, the question is continually raised, and as yet has to be proven in a large scale city. I think that public ownership has a possibility, in addition to what Dr. Hetzel suggested, in the public interest there, in that the 3% of the gross and the 6 -- and the lower percentage bonds, are mechanisms that might prove, or at least assist in the economic viability of urban cable systems. I would think that a private entrepreneur who could get municipal loans at 1 or 2% less would really have a, would really go after that quite hard and be able to have a higher probability of success.

One of the things that came up a couple of times was -- suppose you don't make a profit, suppose you run out of money and you go broke? This is a common problem even with the private entrepreneurs. If you start a public interest flavor in the beginning, one of the things that is suggested is that a lower per subscriber fee would be charged in order to get a larger penetration, more people participating. When you start to go broke, if you do, what you do is you, like any business you have to increase that fee. This is not unknown in the municipally owned, or subscriber owned systems. What you're doing is retreating up the ladder, if it comes to the point where there is not much difference in the service, and or the subscriber fee, and if indeed you then go over the threshold and go broke.

I would imagine that it is something that could be sold, and you could indeed take the position it did not work here, and there would be private entrepreneurs who would like to come in and give it their effort. It was suggested that the municipalities' ability to manage and operate such a system might not exist, and I suggest that if you really take a hard look at it, the big salaries that were referred to and the large returns, are, as far as individuals are concerned, indeed limited to the few who have the equity position in the system, that have high management positions, as a minima. There are -- there is an entire hierarchy of capabilities in the cable industry, below that level. They are operating on a day to day basis, are knocking on doors, are doing service calls, are doing the building and so forth. These people are capable, they are mobile, and it is a force that could be taken by the city, in other words, the hiring of this particular group.

It was suggested that the cable had become a political football. I'd just like to ask "what's new"? -- it is there now. There is no way in which you can separate the two, as I can see at the moment. And in fact, to some degree, even dropping away the common carrier, the citizen can go -- through concept -- the citizen can go to the political councilman, probably a little more directly than he can to the owner through the franchising process, if he has a serious complaint. He can throw the man out of office. You cannot take someone out of the presidency of a company because something did not go right, but I'm not suggesting that that's the only route. I'm just suggesting that it is one route that was not brought up, and I am not quite sure that the quantitative data would support the comments of what happens when you run out of money, because the risk is going to be raised to the Nth degree. I don't see a real clear cut difference in the risk between the two. It is a statement that's made, but the data is behind it, I think, would have to be quantified to some degree to show such a thing. Thank you.

MR. WEBSTER: Dick, before you say anything, there is a gentleman in the second row.

MR. LEVIN: Harvey Levin, Hofstra University. I would like to point out and perhaps you could get some response from the panel.

MR. WEBSTER Excuse me -- can everyone hear him? Would you step to the microphone, Harvey, please?

MR. LEVIN: I would like to make a few comments, and perhaps we can get some interchange from the panel. First, addressing myself to Mr. Loftus, though Mr. Loftus might not like it, and others might not like it, we are living in the world of mandatory cross subsidy in the cable field. The rules speak in these terms. The various investigating groups speak. I might say that I was rather disconsolate at -- at Mr. Kahn's and other references that somehow -- don't put it all on cable -- it will never get off the ground. There is a lot of difference of opinion as to whether or not there is going to be an economic cable surplus which can indeed facilitate cross subsidy. In any event, there is mandatory usage in the rules. We have public access channels, we have public educational channels and we have governmental channels. They will cost some money. The programming will cost the most money, however, if we live in the world of mandatory usage in the rules. We have public access channels, we have public educational channels and we have governmental channels. They will cost some money. The programming will cost the most money, however, if we live in the world of mandatory cross subsidy, I think we at least want to open up our minds to a very special case to be made for municipal ownership.

I don't think our experience in administering cross subsidies in other regulated fields has been terribly good, so that to talk about control, without talking about ownership, I think maybe is an illusion. With regard to the availability of profits that somehow will disappear under public ownership, I certainly would associate myself with what I think Mr. Doroick, is it -- of New York City is implying and that other people have mentioned. Public ownership does not have to mean public operation. We can have management contracts and Mr. Loftus can do the job and get something equivalent to his commercial profit, to make sure the job is done well.

I would like to go on to one additional comment with regard to what has happened in Great Britain. They moved away from a nationalized system under B.B.C., not nationalized, or rather public corporation; they have a public corporation which holds the physical facilities. However, there are contract rights let to the programmers. The programmers are private commercial entities. The physical facilities are held by a public corporation. It is possible that a municipality could indeed have control of the street ducts which is very important.

No one has mentioned that at this conference so far. It might control the black box, it might well have the physical facilities and the distribution nets. It might have all of this administered and operated under a management contract, but then private programmers could come in, in addition to public programming agencies, so indeed we have a very wide range of options. And I would like to present some of these thoughts to the panel. There may be further reaction. Thank you.

MR. WEBSTER: Dick?

MR. LOFTUS: Thank you. In response to a few of the things, first, when I -- question -- when I raise that issue about risk being raised to the Nth degree, I spoke in terms of CATV municipal takeover. I stated the fact that if municipal ownership and operation becomes a growing trend, there is nothing to stop a municipality from now coming in and taking over the CATV system which I personally operate, which franchise expires in 1980. They just walk in and say O.K. your franchise is expired and you take it over. Now, under the FCC rules, I am going to be obligated, in 1977, to rebuild a significant portion of that property. I have to develop it from a single directional system to a five directional system. I will have to invest a substantial amount of money. I am saying that when you go to the money sources and tell them I need that to invest it, they (you have instances not only to municipal ownership, but also to municipal takeover) you know one can mean the other as well, that your risk is increased to the Nth degree, the money guys can sit there and say can you pay me back in three years? Because that's how long you have to go on your franchise, or can you get the city, right now, to renew the whole thing.

That is a very potential problem. You got 2,000 or so, 3,000 CATV systems now functioning and operating under municipal franchises, most of which have expiration dates and if this man said he can go out and franchise himself and build the property, another city can come in and take it over. And I happen to know a mayor who is waiting to do that. As soon as the CATV franchise expires, in 1974, the franchise having been let in 1964, and it is a subsidiary of MSO company, this guy, who I went to law school with, who is now the mayor of a community, thinks it will be a good idea for the city to take it over. He has some good arguments on that side.

On the basis of the mandatory cross subsidies, I agree. This is not just all black and white; there are a lot of gray areas. I think if you really put me to the wall, and let's assume that I am put to the wall, I think that there are many, many areas which probably can't be built unless the municipality actually goes out and builds them. I think there are a lot of areas that probably, even though they may be built and operated privately, should be operated in a different manner. But I am trying to present -- polarization and advocacy are good things -- trying to present a very strong argument to the outside because I really do feel, on the broad basis, on the broad issue, you can have control without ownership. I think that you can't regulate without owning, and I think that that is where the important issue is, in terms of cross subsidy. I am talking about a continuing basis. It is important from the standpoint of the overriding Federal concerns to keep as much of this as possible, because you are dealing with a media force, in a private sector. The private sector is no more perfect than the public sector, but I presume it might do something.

MR. WEBSTER: O.K. Doug Jarvis has a comment, but while he is speaking, I would like all the other panel members to think about the question that has been raised twice now, and I agree with you, Mr. Doroick, that we haven't spent enough time on it. That is the notion of separation of ownership and operation of the system, the notion that Mr. Levin spoke of in terms of Great Britain. I think that perhaps a good deal more thought and time should be given to this as a future possibility. Doug?

MR. JARVIS: I'm trying to tie two thoughts together at once. I would prefer not to be viewed as an advocate of either side, being a consultant, and therefore not being (laughter) -- not being naive and being here, because I love to track some municipal consolvency, but nevertheless, finding myself philosophically in Dick's camp, I have got to make what I think is a pragmatic comment. Dick is talking about a very real problem when he talks about the specter of municipal ownership affecting a cable company's ability to raise money, and thus develop the technology and the subscriber base for social services, and I can't think of a better example than Mr. Doroick's town. And yet, the side issue here is a comment that one of the speakers made about if -- I guess it was Dr. Hetzel -- if Detroit is such a bad place for a city to own it, why then are so many people trying to get in? The difference there is that the entrepreneur can afford to take the risk, and that ties back to New York. Herman Kahn, a number of years ago, when we were all sitting around the table one night said, was asked why he was going to wire New York and he said "I don't really know except that it's there". (laughter) No, that's a direct comment from Herman, and when pressed as to the economics and what do you expect to gain, he said "I frankly don't know". If you don't know Herman, you may have a little trouble believing this because the man is willing to commit millions of dollars in something he is not sure of, but it's the nature of the gentleman. And he said "I don't know now and I won't know for 15 or 20 years whether we are going to go broke or make a fortune. I simply don't know," and that's how your getting an attempt at wiring the biggest urban area we have. If it were not for somebody with that much guts or that much foresight, or that much stupidity, whatever your viewpoint happens to be and whether you need hindsight it wouldn't be done. There would be no conference today.

Well, the comment I want to make is that if Mr. Doroick made the comment about the city considering taking over TelePrompTer's facilities at some time in the future, and having made that comment 3 months ago to a bunch of security analysts, TelePrompTer wouldn't have been able to raise 50 or 60 million dollars as they are currently in the process of being able to raise, because the financial committee would say well, what gives here? Are we not going to see the promise -- the fruition of all the promises? And so again I think the communities have to take seriously what Dick says about the specter of the financing drying up unless they've got an alternative way of developing the large amounts of risk capital it is going to take. And if that's it, so be it, and then let me just address myself to Dr. Levin's point as you requested and I'll take my shot at that one.

If the city wishes to contract out the management of the system, and wishes to contract out the programming that is going to be on the system, all that's left is the ownership of the cables, and that's fine. I would be very happy to come into your city council and to advise you on the economics and the rate of return and everything of owning a bunch of cables running around the town, but for the life of me, I don't understand the rationale behind it.

MR. WEBSTER: O.K. let's skip the rationale.

A PARTICIPANT: One quick point. I think if you contract out the programming that you have your hands on something very important, which does not exist under the present arrangements in any way.

MR. WEBSTER: Would you stand up please?

A PARTICIPANT: I know, I know -- as I say, you've seen our subways in New York City.

MR. WEBSTER: All right. Dr. Hetzel has a couple of comments to make about the separation issues, the separation of ownership and operation systems. I think you studied that issue in Detroit.

DR. HETZEL: Yes, as a matter of fact, that's really the basis upon which a large part of the report in Detroit came out. As I mentioned before, we started looking from the standpoint of services. We then tried to decide how the services would be produced and we looked at it in terms of dividing the systems responsibilities up, as between control, in a sense, and ownership and paying for the hardware, the distribution system, and secondly the responsibility for producing the programming. There are obviously interrelationships. There are some very significant costs, which may be discussed in other workshops here, relative to the production of local origination programming, in terms of the kind of programming that might be put on by those responsible for the programming of the channels, if you separate out the system. But I think that it can be analyzed in terms of what are the capital costs for the system, how can those capital costs be met, how can they be financed, and that really is a separable aspect from whatever kinds of returns that you are going to get from leasing out of channels or the production on the cable system.

Right now, to my knowledge, most of the cable systems in this country are existing totally on subscriber fees. The subscriber fees come in regardless of the ownership, and I would suggest to you, as a matter of fact, San Bruno can send out their bills with their other utility billings. There might even be some cost savings in the way the municipality might send out their billing in control of that, but I think that if that's the way that all the systems thus far have been financed, in terms of those subscriber revenues, that at least leads one to the conclusion that there is nothing so unreasonable about separation that you could pay for the distribution system that way. And that all the kind of future services that I think we see, sort of glimmering somewhere on the horizon, in terms of non television uses, these are the kind of data, facsimiles, other kinds of uses that the system may be turning to, and I've heard statements from people in the industry that I suggested 20 years, and I was told maybe 5 years, that they see these things coming along. Those are going to be rather significant additional sources of revenue. And I would suggest in terms of services and in terms of the operation of the system, that those kinds of revenues, the distribution of those revenues, may be the reason why Herman Kahn says that he wants to go to New York, because it's there. Because he also said that -- another one of his quotations that 75% of the profits he sees in this system will come from the non television uses in the future.

If that's the case, one of the questions that I think each studio ought to look at is how that potential profit is distributed, if it's there. One possibility would be in terms of developing the distribution system separately, and then handing out the programming responsibilities, and essentially also contracting out or leasing out in terms of facilities. Now I make one additional caveat on that. I think some kind of common carrier basis for the system should be utilized in that event so that you do divorce the political aspects as far as you can from the operation of the system.

MR. WEBSTER: Other comments from the panel?

A PARTICIPANT: I have a couple of comments.

MR. WEBSTER: O.K., I'll get to the audience in just a second.

A PANELIST: One. I don't share the concern about the loss of finances. I don't think you will find that many cities entering into the cable television business -- number one as was stated earlier, so many of them are pre-occupied with many other problems and have commitments of their resources to that end. I think also that, as we try to talk and look for a single answer or one or two answers, as to the possible combinations of contracting, within cable television between the public and the private sector, that there are so many possible, workable variables, that I have great confidence in the ingenuity of the private sector, and the public sector, to work out arrangements.

I have a concern that when we talk about this, as so often happens, that private industry says stay out of the private sector, and then they switch horses about the time they had a losing line, i.e., AMTRAC, and all of a sudden it's great to have government in the business. And government so often ends up with the losing lines, those that must be subsidized, without ever having any consideration of having an offsetting profitable line to cover the cost.

MR. WEBSTER: O.K. there is a gentleman in the rear there -- you --

A PARTICIPANT: I am Joe Romasco from Jerrold & Electronic Corp., Philadelphia, Penn. First of all, I'd like to pose the question to the panel for an opinion. First of all this conference I think has demonstrated that Television is at this point a transitional technology. In current services, we are going to add services. I think that the MITRE people have demonstrated, with the material they have sent that there is a significant area of unknowns in the development of a model as to what services -- added services will be, what the development costs will be, and which ones will pay off although there are many methods of estimating what these are.

Now, to the question -- if this is the case, what would be the motive of the ownership group to upgrade to extra services? First of all, what would be the motive of a municipality to move from one way antenna services to added two-way services? What would be the motivation of a municipally owned, but privately operated, group, to upgrade to added services, and finally, what would be the motivation of private ownership to upgrade to advanced services? To subpoint that question, who and how much would be the development costs for the added services? Who will finance these? And to whom should the greatest amount of risk be directed ? Is that too obscure?

MR. WEBSTER: I don't think so. I think that is pretty clear.

A PANELIST: I don't know if I can answer them all at one time. When we address ourselves to the question of who should finance high risks, exploratory pursuits in the cable television's future, I think we can take a good look at what has happened to the airplane industry. This remained in the private sector, but exploration costs into the future were worked out to such a fashion, whenever there was efficient public benefit, or the potential of great public benefit, that government ended up subsidizing reserves and subsidizing what was being done. And I think here lies part of the key of, within cable television, as cable television expands, and we see great public value, in different pursuits, I think the methods of financing the loss lines would probably be negotiated out. The FCC, for example, and you say what would be the encouragement -- the political process, we have that now -- the FCC says you shall do it by such and such a date, and the public in essence has been putting restrictions on the system and demanding improvements both in the private sector and in the public, whoever is involved in that business.

A PANELIST: Could I just add one footnote to that. I think one of the questions in terms of the three areas that were set forth, public ownership, private ownership -- public ownership, private operation. All I can add to that was in a sense, there was a responsiveness to public desires for better services, and if you judged it on that basis, I suppose one would say all three have aspects of that, and I suppose each of us might have our own values as to which of the systems might be most responsive to public desires for these better services, and I think I can leave that to you to judge which ones.

MR. WEBSTER: Mr. Loftus -- what's the motivation of the private operator to upgrade services?

MR. LOFTUS: Well, let me back into that if I can. I'll answer it, but first let me come in through the back door. First, I think it is very important. I am sure that many of you have done this on an analysis basis. But it is very important to understand the entity that you are dealing with. Now take a guy like myself. Now I started out climbing poles in College. I worked my way through college as a CATV lineman. I went to Law School, came out of Law School. I went to work selling CATV equipment, and I went to work for major companies developing franchise systems and then I went out and founded my own company, and I am now operating three systems and building a fourth. I have two other franchises, and am serving about 8000 subscribers, and growing. And the company is growing because we are losing more today than we lost yesterday. (laughter)

So that means that you are in CATV growth, but you have to do some analysis of the industry. We have eight million homes on CATV cable; now you multiply that by the average of 60 dollars a year, you have 400 and 80 million dollars a year as a gross income, that's this year. It was less than that in 1971. I don't have recent figures, but Columbia Broadcasting System, CBS in 1971, one company, had gross sales of 1 billion 247 million, 969 thousand dollars. It had net income for the year of 60 million dollars, so the gross income of all CATV in 1971 was probably roughly equivalent to the net income of CBS, and you are faced with this technological revolution that is going on. And yesterday I was up a pole in North Bergen, New Jersey, where I'm on a system of fixing a tap. We had a service problem. We had to go out and find out what it was and handle it, because there was actually nobody else there to do it at the time, and I just went out to do it, and I find myself completely overwhelmed by the on going technological revolutions, the operational revolutions, service revolutions that exist in the business, in the industry. We call ourselves the industry. We are naive in thinking of ourselves as an industry. we're not, and where is the financing going to come? I'm now coming through the back door to support these revolutions--where is the subsidy going to come?

You're not looking at a major end of business. You're not looking at the aircraft industry which has been subsidized by the Federal governments since the days of the Army Air Corps. You are looking at a business that was a parasite. Let's face it, you know. It came up in Markenway city, in Markenway, Penn. when people could not get Ed Sullivan, and it just broadened TV picture, and suddenly, bang, here is this great big spectrum of potential communication services. Where it is going to be financed, where the revolution is going to be financed is going to be from the user. It is going to be from the consumer, from the person who wants the product and is willing to pay for it, that's where it's going to come from. It has to be proven somehow or another on the best estimates that the money is there.

For the guy who is in the home is going to pay, instead of 6 dollars a month, -- 8 dollars a month, or 12 dollars a month, or 22 dollars and 86 cents a month, -- I don't know. But that's where it has to come from. Wally Briscoe, from the MCTA, who is sitting in the back, has been preaching to me since 1965, when I first met him, the same continuing message, and that is with CATV, it's never been a question of what will happen, or how it will happen. It's really been a question of who is going to own it? Who is going to own it? Who is going to control it? Who is going to run it? Not who is going to regulate it; it's going to be regulated. Not which way it's going to go, but who is going to own it? Not whether it is going to be a common carrier or whether it is going to do this for that guy, or that for that guy but who is going to own it?

At least 40% of the industry is controlled by people with broadcast interests. They are just hedging their bets. You've got 50 companies that actually, in terms of ownership and control, dominate the industry. In 1965 we were serving 600,000 homes. One company now, TelePrompTer, has more homes than that itself. In 1965, Fenvidio Corp. had 10,000 subscribers. It has been one of the top 10 to 15 operators, you know. Subscribers that's where the money is going to come in. The technology is going to evolve. It's going to develop Joe, in your company and Jerrold is going to be involved along with the other companies, and peripheral services are going to come, new ventures, new capital.

The question is who's going to own it, and again going back to the good Professor from Hofstra's question, can you divorce ownership and control? He thinks it is an illusion. I don't. I think it can be done, and really you come back to the argument, two-sided, when you ask -- can you go out and common carrier it? You own it as the city, and then you say we'll, we'll give the operation and control -- I ask you is not the illusion coming back -- we're just turning the mirror around, you know, you're saying we won't control it, we just own it.

A PANELIST: I haven't said that at all --

MR. LOFTUS: Well, excuse me -- no you have not said that, but let's -- that's the argument turned the other way. We'll own it, we won't control it, but we can't control it unless we own it -- whatever.

MR. WEBSTER: Jack, can you make a brief comment about the question that was just asked?

MR O'NEILL: Yes, the motivation one, I would like to. I think that the services will be motivated by the user, and I think that there are a lot of public interest application in services that may not be addressed directly by a private entrepreneur. What I am talking about here, for example, is municipal functions, traffic control power grid control, which would be of public interest, going educational systems, interconnections, and so forth. These are systems and concepts that permeate an entire metropolitan region, as opposed to just a particular city. And the cities are spending fortunes now, literally, doing these types of functions, and they have got to become more productive at it. Telecommunications delivery of these services can help do that and increase that productivity quite a bit.

In Washington, D. C. for example, if you are ever here during the peak traffic hours, you'll find that quite a bit of the police force is diverted to doing traffic control and putting out the little orange cones, and making one way streets out of those that the signs have not already been made one way streets, and such. The idea of having multiple operators, (and this another advantage perhaps of the common carrier concept), of multiple operators owning systems that encompass a single jurisdiction of a municipality, becomes a problem when you want to implement these concepts. If you wanted to do traffic control through the district and into the suburbs, where all of it is going, it's going to take quite a bit of control, and a co-operation.

You cannot have an operator saying "gee, I'm using all of my channels this week", what I'll do is I will rent one to you next week. Or the police department in one part of the district wants to talk to a precinct house in the other for training every day -- or upgrading, for example, the first aid rituals or what to do when somebody won't listen to their rights, or after they have listened to it, they tell you, they don't understand; you know, the training ritual that goes on, over and over again, every morning. And these precinct houses are located in widely diverse geographical areas. You have to have some type of management control over the entire network. The same with brownouts and blackouts. It's not a particular municipality's problem, because the power companies do not particularly respect political boundaries, and therefore the problem does not respect political boundaries, so there is a need to have in some of these services, which I call in the public interest, would be motivated and paid for by the people who are doing them now, the municipalities and also by the Federal government.

There are very large programs going on now for automatic vehicle monitoring. This is knowing where your fleet of vehicles are. They are being sponsered by the Department of Transportation, and they are being tested in Philadelphia.

Many large companies are very, very interested in this, and have spent a significant amount of dollars in that particular arena. There are many dollars being put into the educaional systems, computer-aided instructions being one of them. This type of motivation will come not from the municipality per se, but the public interest in the university, whether it's a locally or privately owned college, or whether a university, or a state college, it's still a public interest type thing, because we all do pay tuition to these. Those are general comments. Thank you.

A PANELIST: Could I just make one comment very briefly -- on the question of motivation. I myself don't feel, as an operator, highly motived to provide the access, to get out and train people in using the access, and a lot of the other peripheral services. I have to be honest. That's my opinion and I can't speak for the industry, and I'm certainly not doing that, because there are people in the industry who feel different than I do. But I don't feel motivated for that. I do feel motivated to go out and do what I think I know how to do, when I want to do it, and that's develop the system, for whatever uses it may have -- if it is a delivery boy, if it is a highway upon which you can put all these services ~~and~~ cars, and I say O.K. let me be the highway builder, let me have the highway. Let's put all the cars and do the traffic control and whatever else you want on it; that's where I feel I have the motivation.

I don't feel from the the private sector, by and large, you are going to get the motivation to provide all these ancillary services that you are talking about because these are too publicly oriented and there is too little profit incentive to the private operator. I think that is a burden that is going to fall upon municipalities and to other private users, or public users.

MR. WEBSTER: Mr. Homet has a question --

MR. HOMET: I am Roland Homet, and I am a Washington lawyer.

MR. WEBSTER: I'm going to ask you to move to the microphone, I can't hear you. One of the reasons I was chosen as moderator is that I have a reputation of being a tough guy and the nasty S.O.B.

MR. HOMET: My name is Ronald Homet. I am a lawyer here in Washington who has concerned himself with issues of regulation at all three levels of government. I'd like to ask -- make a couple of preliminary comments and then lead into the -- what you identify I think by property -- as the central issue of separation of ownership from control. First of all, as far as variety of city and public services, school users and so forth, I don't know that anybody has mentioned the possibility of working out arrangements for dedicated cable, where the cable operator will contract with the city, at the city's cost, or at the cost of the relevant institutions that are interested in the service, to install separate cable for their data- and other information uses, at the time that the commercial system is installed. This with the understanding that the control, the use of that cable for what are clearly public service requirements, would be vested in the city agencies. I would suspect that this would be a division of responsibility that would sit rather well with the private industry as well.

As far as the threat of municipal takeovers, I think that has to be balanced with another consideration. Herman Kahn whose name has been mentioned here, is now facing a jail sentence, not because of the threat of a city takeover, but because of the threat that an existing franchise would be handed to another private cable operator. And that situation as it exists throughout the country today, has been exacerbated, I believe, by the FCC's 15 year franchise limitation, and it, from what I can see, is having a potential chilling effect on the ability to raise revenue, just as has been mentioned, towards the end of a franchise period. Municipal ownership, if it were established, would, I suppose, guarantee at least a longer term security of 10 years for that system. And barring some change in the FCC's approach to franchise limitations, could possibly offer some financing advantage, just to counterbalance the comment that's been made there.

Now, moving to the questions of separation of ownership and control, Mr. Hetzel made a couple of comments that I thought crystalized the points of controversy here and I would like to address myself to them but with the thought that all the panelists and others might wish to comment.

First of all, he said that a motivation for Detroit was an emphasis on added service, and I wondered if he meant to imply by that, that the Detroit City Council would somehow commit itself, irrevocably, to reinvestment of all net earnings from the system, to improvements of the system. The San Bruno motivation, as I understood it, included general revenue purposes, meeting other municipal needs this would seem to me to have, at least, the same kind of draining effect as satisfying stock holder requirements. I would think that down the road, even if you start off with one motivation, there might be real temptations to use cable revenues, not for improvement of communication service, but for these very pressing general municipal service requirements.

Now, on the point of political control, this also, to me, goes to the heart of the dispute. The common carrier model, as Mr. Hetzel said, would separate software from carriage. Is he saying that the Detroit City Council would permanently disqualify itself from intrusion in program carriage decisions? If X movies appear on the cable, if controversial programming appears, if somebody undertakes to criticize somebody in the city government on one of these channels, where are complaints going to be made? And what will be the reaction of the elected officials to those complaints? We do have an imperfect, to be sure, analogy in what has been happening with the public broadcasting service, where complaints have been felt, in the White House and in Congress, and actions have been taken that threaten seriously to cripple that service.

Also parenthetically, in the PBS situation, we all remember there was a big outcry about the salaries being paid to certain people, hired by PBS. These salaries were higher than being paid to members of Congresss, so that again, the suggestion was made earlier that it may be difficult for public officials to pay the large salaries that are appropriate for really expert cable people, who are going to do the operation, does seem to me to remain an important question, and all of this assumes that you can get common carrier status. I tried that on for size -- with an "amicus brief" on behalf of the State of Illinois, the Mid West Video case, and as it currently stands, that is not the law that is not the intention of the FCC, although it does seem to be the intention of some people, the staff at least of the White House cabinet force.

Personally, I remain in favor of that model, but at the present time, you do have to have local origination. You do have to abide by the FCC regulations which do not guarantee that you can set aside channels for leasing at all, and so that the question of political interference, or intrusion, the temptations to it, exist quite strongly, it seems to me under the current model. And there still could be serious reservations, even if the common carrier status is achieved.

MR. WEBSTER: While I got you at the mike, were you proposing that we -- or were you suggesting that dedicated cable be considered as an alternative to public ownership?

MR. HOMET: Well, I think that is one possible model in the mixes that can be achieved that would satisfy some of the use requirements that are legitimately of concern to the city. In other words, the city would be a user of a service. It could also control the cable that provides that service, without perhaps raising some of the other problems that have been suggested here today.

MR. WEBSTER: Dr. Hetzel?

DR. HETZEL: Yes, let me try to respond to a couple of the things. Some of them I can do very quickly, I think. The first question you asked was in terms of the added services, and whether it would be essentially an irrevocable determination by the council that, at least in terms of our study committee's recommendations, that these -- any excessive revenues over cost would go to upgrading and improving the system. If you would read our report, it's a little more complicated than that. But, essentially, we set a schedule of priorities which essentially put upgrading of the system first in terms of programming, other kinds of aspects of it, and then finally only if you could meet these other needs, which I suspect will never happen, would any monies therefore go to the other purposes of the municipality.

That may not be totally pleasant to councilmen, but I think the concerns you raised are appropriate, which is that they will - as we found with the parking authority in the City of Detroit, suddenly any surpluses they have did not go to building additional parking structures, even though they may be needed; they go to other city functions.

Secondly, if you ask about the question of common carrier status. I assume that, in a sense, if there was a publicly owned system, one could by contract, in a sense, develop it that way. I would hope also the FCC with some, perhaps, prodding from the cabinet committee, as you mentioned, may move toward some experimentation on that basis. I think that local origination can be taken care of in a system, even if you separate out -- if you have that requirement, obviously, there is a basis for retaining a channel, or two, to do so, and leasing out the remainder of the channels. And I think the more difficult question you raised, in terms of political control, and I think anybody who dismisses that quickly is wrong -- I think Mr. Loftus raised that -- and I think others have, and I think it is a very important kind of issue.

I don't know whether one we'd looked at, when we were trying to make our analysis in Detroit, whether some process of dedication, as you mentioned, would be one way, in a sense, a separate grant of authority to utilize this system on a long term basis, to split the access out and essentially take, you know, a long term lease, or a long term dedication that would free people from the control over political content, or the complaints as you mentioned, or the attacks on councilmen. We wanted to see if there was some way you could deal with that, and I think if you are going to deal with that, you ought to deal with it at the beginning, headon before the problems arise and try to anticipate them and see how you can best build into them the needed protections. I think that there are obviously other laws that would deal with obscenity, with gambling and other kinds of things that are now prohibited on the airways, and I think, as a matter of fact, maybe there is more potential for control ultimately from the FCC in this area than from the locality.

A PANELIST: I might comment on that same political question. Most of the cities in American are small cities. Now a lot of franchises are small franchises. Maybe one company has multiple franchises, but no individual franchise, in a lot of these small cities, can support the kind of program origination that we seem to be talking about today. We are talking about the large urban center or the very large cities, where there is a sufficient number of customers to carry the cost of local program origination, in terms of having a producer and setting up -- and bring in the people, and actually taping and organizing a show.

I think the lack of this type of thing, developing in the small communities, is going to be limited. You're going to see the local origination being a much simpler type of local origination. The other origination at the local, within that channel, is going to be programs that possibly are bought from some new company that will develop, or probably have already developed them. You would buy from those companies programs that you would put on your own channels. These could be distribution of public service programs, an explanation of programs of all levels of service, programs of access to the public, where they have a right to speak on any issue they desire. The fear of control of a city council of those meetings is not a very difficult thing.

I cannot say that there would not be problems. Once you get together with politicians, you have problems. When you bring people with differing ideas and values, into an arena, you have problems; you can't avoid that and it's a healthy thing. Council-meetings are wrought with tempers and conflict, but this is not bad. Now, within cable television to say that a council, because somebody speaks out against them, is going to control television -- I'm not going to say that would never happen, but I think if it happened in excess, there would be regulations to control it.

A city council, in setting up the use of its channel, would set guidelines, and those guidelines would have to meet community values. And one of those values is freedom of speech, whether you are calling the mayor an ignoramus or not. He is not suddenly going to deny you that right because the person will be speaking within guidelines. Private industry does that right now. You see all kinds of public forums, the little 5 minute, or 3 minute bits on television, where the people speak, and those people speak under guidelines established by the station. And I'm sure the same type of thing would develop within a channel controlled by a local government, and as long as they stayed within those guide lines, people would have complete freedom, so I don't see that as a great threat to controlling of the people's minds for example, they may have two or three channels, but the law can easily require that you carry channels 4, 7, 6, 10 and so forth, and those channels are completely controlled by the private sector.

MR. WEBSTER: Thank you Jerry.

MR. MINFORD: The control of information is not really a threat.

MR. WEBSTER: I'm going to take one more comment from the panel on that question and then I'll go back to the floor.

MR. O'NEILL: I'll make it very quick if I can. What really is necessary is a statement of your objectives, and I submit that once you have decided as to what your objectives are, for your particular city, your area, or for your region, that there are probably public interest ownership arrangements that have previously been tried in that arena, and that are successful, or if they are not, you can dream up a combination that will provide your particular objectives.

Now, whether you are talking about municipal ownerships, subscriber ownership, whether you talk about joint ownership arrangements between the city and service people or TVA authority types or COMSAT or profit making authorities -- there is some type of ownership arrangement in the public interest that can address that in a significant way. It will not wipe out all problems, but I don't know any ownership, whether private or public, that does.

The other thing the gentleman mentioned, the dedicated nets -- I'm happy to hear you say that -- that Washington Urban Cable system study report that's in the lobby, talks about four such nets, and they are independently financed. They are, you know, municipal net, federal net, educational net and the business and commercial net. There are legitimate needs for those since a number of subscribers are significantly different. The information flows bilateral and a lot of it is very private type stuff. You don't want municipal information on the wire that goes into every home, but such nets are in the economic design and the technical design of that system. Thank you.

MR. WEBSTER: Ah -- Stewart, I think you are next and then the gentleman in the back.

A PARTICIPANT: My name is Stewart Belstein, and I am employed by the National Cable Television Association which makes my opinion suspect. There are a lot of things that I could address myself to, but I think given the time I just want to interject two points for consideration here. One is this business of -----

MR. WEBSTER: Would you move up to the mike, please?

MR. BELSTEIN: One is the situation surrounding the making of a cable system into a common carrier. This carries certain state regulation ramifications in terms of making it a public utility. But I think rather than talking about the actual regulation of a common carrier, I think what we are all interested in is that there is access to the cable system, access for those individuals in the community who are without a public forum. Also access for programmers, access for minorities, access for the educators, etc. and I think in the top 100 markets, the FCC's present and new cable rules adequately take care of that. They require that beyond the required origination channel, and the three dedicated channels, that there be one non broadcast channel for every broadcast channel, and then it be available and open to all, on a non discriminatory basis, with just and reasonable rates.

There are a lot of things to be ironed out there, you know the wonderful question of what the heck is a just and reasonable rate, but the fact remains that whether it is owned by the city, or it's owned by Dick Loftus, the cable system, or whoever owns it, or whoever runs it, the rules, in the top 100 markets that the FCC imposes are the same. I don't think you are going to have a particular channel available, or not available, to a particular group, no matter who owns it, and the fact that the city owns it is not going to improve that situation necessarily, and in markets 101 and below, the states and or the communities are entirely entitled to impose equal regulations.

The commission has stated that, and another thing, which is the second point, which has not at all been discussed today, is in discussing who is to own it, and who is to control it? I wish Ted Ledbetter was here. You're the only black in this place, in this particular room, I wish there were others, so I'll make my point anyhow. I sat in with, about two weeks ago, with a group of blacks, very interested in cable, and I know -- Ted was not one, but his viewpoints are the same -- I said, we isolated three things which minority groups, not just blacks, are interested in, employment, access, and equity participation. And I asked them to rank those in orders of their priority, and unanimously, they put equity participation first, and employment last.

Now access has been guaranteed to them by the FCC rules, if the FCC keeps its word. The employment situation should hopefully take care of itself eventually it has a long way to go on that, but municipal ownership is not the answer to the question of equity participation, and I think this is a consideration -- this was a consideration on the attack on the Cogg Report in Dayton. And it is a consideration in the -- not in the MITRE study for Washington, but in the City Council study that came out a year or two ago, and has been a consideration in a great number of other large cities. I do believe that it should go into the mix of factors.

MR. WEBSTER: I wonder about that -- thank you very much Leo. I wonder about whether municipal ownership, or private ownership, either or both of them, by themselves, as ownership patterns, do figure into the question of equity participation for minorities and for other citizens. I wonder about whether both could be modified through some schemes, assuming that you would have majority owners, in either the municipality case, or the private ownership model, modified by some scheme so that there would be participation. In Charles Tate's book for example, cable television in the cities, a very good presentation was made at the conference by a city councilman from Boston, Thomas Aitkins, who spoke to a possible hybrid situation of a system partially owned by the municipality, the hardware, with some programming owned and controlled by minority groups, and various other schemes which had 5 different kinds of owners, which spoke to a gradual growing of the equity participation issue. I wonder, and I agree with you -- well, I'm the moderator and I can't say too much. You have a comment --

A PARTICIPANT: If anybody thinks that the Detroit Study Committe was able to walk away from the last issue that was raised, obviously they don't know the composition, racial composition of the city of Detroit, which is at least 40% - 47% black, in which there was on our study committee a very high representation, I think probably close to that in terms of the study committee membership. And yet I think you will find that in a very large part, there was a strong feeling of the people on the committee that the issue is not equity participation, that assumes that maybe you got some equity and that you can come in there and participate, and that may not be the case in very many instances, and I think if you look around the country, in terms of the minority community, that's been one of the great, great difficulties.

The question is the potential for profit, I would suggest, and in terms of the model, both Tom Aitkins' comment just relayed, and the one that you would see in the Detroit report, it is that there is in these management contracts -- the opportunity contract out for various parts of the operation, many opportunities for, and particularly for local firms, and therefore, for minority firms, in a city like Detroit, opportunities for profit. The second aspect of it is the question of control The employment issue, I think, was very clearly taken care of in terms of our Detroit report, but I think the FCC has moved on that. What I would suggest is the control issue, if you are talking about that -- that's really the access, but it's access in the opportunity -- actually program -- it's the opportunity to have in a sense, a guaranteed portion of the system that can be available for local programming by those who wish to get their message across.

And if that's what we call access, whether or not we call that control, what you need therefore is some assurance that some of the channels will be available for utilization by persons representing the minority community. If you take care of those two aspects of it, it seems to me, you have met the kind of basic concerns that were raised and the conference referred to. I would like to expand one other aspect though. Charles Tait and I have discussed this facet and the one difference he suggested is that this is perhaps an avenue through the investment and profit potential, that there can be a leveraging effect for the minority community.

Obviously, you can't respond to that except to say, I don't think all systems in this country will be either privately owned, or publicly owned, and I think therefore, there are some opportunities in various places for that kind of leveraging to happen. If it can. The difficulty has been, as I think all of you know, the most recent thing I saw in the Wall Street Journal in terms of the numbers of systems in which there is a significant participation by minorities, aside from being front groups for MSOs. I think there are a few of those, but I would suggest to you there is very little actual equity investment and very little return under those kinds of circumstances.

One last thing was the question of the city as a system operator, whether there is going to be any variation in use to channels. I would suggest that the public owner, as system operators since the FCC looks to system operators to decide how channels are going to be used, can go in there and request a broader number of channel utilizations based upon the waiver procedure with justification, as the FCC has set forth.

MR. WEBSTER: Thank you. I'm going to have to live up to my reputation for the next five minutes since I've been asked to break at 12 -- and I'm probably going to be rough and ready. There was a gentleman in the back, in the rear, who had a question, in the green coat. Oh, I'm sorry, it's a woman I only saw the sleeves -- great.

A PARTICIPANT: Thank you. I'm Barbara Cole from Salem Oregon, and I just wanted to pose a question on the common carrier status. If a common carrier status is established, for instance, in our state regulating all sorts of ownership mixes, does it necessitate a uniform rate schedule and does this open some possibilities for deriving greater income?

MR. LOFTUS: I'd like to address that. I am on the Board of Directors of the New Jersey CATV Association, and I am acting as a special counselto the Association. We have a regulatory bill which is presently pending in the legislature, in Trenton, which would, right now, establish a CATV Commission, under the Public Utility Commision, and take certain sections of the existing utilities statute and apply it to cable television, and put in different things and do some changes and what have you. Then we also have a bill which has been submitted by the PUC itself, which would just take CATV and place it totally under the Public Utilities Commission, and let them do really whatever they wanted to regulate it in the public interest. We are in the lobbying, and negotiating, and discussing, and working stages right now.

The first point of issue that came up was the question of rate regulation, and when you come into that point, you really have to come down to the basic concept of the business end. Is it rate of return or is it regulation rate? And really you can't have one without the other, as you get down the road. I think that it is impossible to have a common carrier base, unless you have regulation rate and regulation return. I think the two have to go together. I don't think that you will be able to divorce them. I think if you are going to have CATV regulated as a common carrier, it's going to be regulated like all the other common carriers, with its appreciation funds, its rate basis, and its rate of return regulations.

MR. WEBSTER: Thanks, Dick.

MR. LOFTUS: I'd like to say, however (laughter) Dr. Hetzel I just want to say, if you have, on a commentary basis, you can have categories of users, and therefore vary your rates based upon some rational categorization of the users.

MR. WEBSTER: O.K., I'll entertain one brief question, then one brief response. Would you go to the mike?

A PARTICIPANT: I'm Rick Titus. I am a city planner from Baltimore, Maryland.

MR. WEBSTER: Please speak into the mike.

A PARTICIPANT: Yes--I'm Rick Titus from Baltimore Maryland, a city planner. I'd like to just have the people that are making the decisions about cable TV in the cities to stop thinking about the future for a minute, and think about the communications pictures in the city right now. Think about the money that is available from the Federal government for forms of communications, such as the topics program, where you have a computerized traffic control system that, in the city of Baltimore, is worth about -- is going to be worth about 12 million dollars on a contract, and the entire system could be placed on coaxial; however its -- because it's to far along in a multistrand kind of a application, that's where it is going to go. Think about the justice, I think it's the Justice Department that is funding right now police information systems, helicopters and this kind of hardware, uses that can also be put over cable.

Look at these kinds of things for ways to raise revenue to do your own system, and don't always worry about the future, and don't always worry about getting the financing from the private sector, or from bonds and what have you. The money is there right now if you look for it.

MR. WEBSTER: Thank you very much. That's it. The buses will be waiting for lunch. I want to thank all the panel members for participating and everyone else for being here, and I kind of wish we had another week to discuss it, but there it is. Thank you.

WORKSHOP 3) PROGRAMMING: COMMUNITY AND LOCAL

Ralph Lee Smith - Division Staff, The MITRE Corporation;
Author, "The Wired Nation", Moderator

Red Burns - Alternate Media Center

Henry D. Pearson, Jr. - Director of Public Access Channels,
TelePrompTer Manhattan Cable TV

Doyle Dugans - Lessee, Channel 3, Flint Cable TV

Thea Sklover - Executive Director, Open Channel

John Gault - Vice President, American Television and
Communications Corporation

MR. SMITH: Today we are going to have an informal panel discussion and are simply going to respond to what may interest you. It is a group of experts who are here, who collectively have as much experience perhaps in this field as there is and you see the names on your programs. I can't see from here how this runs. It's John Gault down there, then we have Thea Sklover of Open Channel, Doyle Dugans of Channel 3 in Flint, Michigan, Hank Pearson, Director, how does it go, Hank? - what is the correct title?

MR. PEARSON: Well, Assistant Manager, but I guess my real love is public access with TelePrompTer.

MR. SMITH: You are a Director of the Public Access Program.

(General discussion)

Next to Hank is Red Burns of the Alternate Media Center and I am Ralph Lee Smith of MITRE Corporation. The question period is now open for question if you want to do it that way.

No questions? Then we will begin with a few remarks by Red Burns.

MRS. BURNS: Cable is not television and I think that (laughter) - and my feeling is that the more we think of it as television, the more bogged we get down in 19th century concepts and that what in point of fact Cable is a whole new area of communications and

and that we can start to develop it in that way if we take in a (word lost) and press all that we know. I know that Lee and I are in disagreement and that he will respond to me, I am sure.

The point of all this is that it is amateur, it is non-professional, it is the first conceivable way of people really plugging in locally to a situation. Cable is local. Cable is not network, Cable is not national. We have always had a notion or feeling that if it is local, it is kind of dreary and it is dull and it is uninteresting and that "is all people have to say".

The interesting thing is that when environments can be created or places can be created where people can begin to talk to each other, to look at each other and not to come to "make" videotape for the Cable but rather come to find out what people are - where people tend (words lost) in relation to what they are thinking of - to what their interests are in the community. And people start to connect with other people. They begin to look at other people - they begin to "get the feel" of that environment that they are living in and the cable then is used in different kinds of ways. Sometimes people elect to make programs and sometimes people elect to find out or explore areas that they are interested in whether it be an ecological thing or whatever. But the point is that whatever people want to do begins to surface so when Lee talked about workshops, we talked about the fact that Cable is not television and in any community, that "community" can define its usage.

It can decide for itself what it wants to do and "Reading" which was the very first workshop that we did and I think that Earl Haydt is at the back and John Ascotti is at the front. Earl is the Systems Manager of - he gave us a great deal of support. Jack Gault at the end all allowed us to come in. And John Ascotti came out of the community and is now the "resource person" in that workshop.

And there are a group of books at the back describing in essence what went on in Reading and you are welcome to a copy. So I really want to state very, very clearly I don't believe that the emphasis should be on professional tapes. We are talking half-inch black and white video tape, we are not talking about two-inch color. We are not talking about studios, we are talking the outside in environment where people begin to use the equipment, where people begin to get involved in what is it to assemble the information. Other people get involved in the specifics of what they are doing so it is not television.

MR. SMITH: Okay by me. I don't know -

A PARTICIPANT: I want to raise a question right now.

MR. SMITH: All right.

SAME PARTICIPANT: If you don't mind.

MR. SMITH: Please do.

SAME PARTICIPANT: Cable and paid TV - you are distinguishing for reasons other than those, let us say, that would be applied on an engineering basis, because you were saying there - I don't want to use television, not because television isn't an appropriate word, but because it brings with it a host of other things that I don't want to be - have associated with it. And yet, it seems to me that it would be better not to just try and characterize what it is you really want and forget about saying that Cable isn't television but to say what it is you really want because a lot of people are turned off when you say that Cable isn't television because obviously video signals are being transmitted through a receiver from a transmitter.

MRS. BURNS: That is precisely the point that we don't purport to tell people what it is but people decide for themselves in each area what it is that they want to do with it.

THE PARTICIPANT: That has nothing to do with the process of transmitting signals over transmitters to a receiver. And that was all I was saying but -

MRS. BURNS: I am talking about a concept -

(General discussion)

THE PARTICIPANT: You are talking about a different way of characterizing what goes on.

MRS. BURNS: I want people to look at Cable in an entirely different way. I want to look at it in a different way.

THE PARTICIPANT: O.K., but that is different from saying that Cable isn't television.

(General discussion)

A PARTICIPANT: Just to clarify that point, I am interested in - you have four non-commercial stations in New York - if one of them decided to operate in an open access fashion, would that begin to satisfy the needs? In other words, not the fact that it is two-inch -

MRS. BURNS: Two inches is very expensive but half inch black and white portable equipment is, I think it costs us one per cent of what two inch equipment does.

THE PARTICIPANT: So you are saying that the economics of the type of equipment that you can use make more things possible -

MRS. BURNS: And also as opposed to other people covering the news or other people interpreting what is going on in the community, the people themselves begin to get that, to do that themselves.

A PARTICIPANT: This is Bob Smith of WNDP, Northern Virginia station which has also done a lot of programming. The only kind of announcement they could decode in an emergency in this session, it says here, there is a tan Dodge with the lights on - Virginia License Plate CTZ 316. It causes me to worry - I am sure the lights are on in my car. (laughter) I am just sure of it.

A PARTICIPANT: (Participant did not use microphone and spoke very low - text lost).

MRS. BURNS: It is both access - access in terms of people being able to use the equipment, people being able to plan the programs, people being able to do it themselves and having access and not having the kind of professional if you will in the middle of all this.

MR. GAULT: Let me interject a different viewpoint which is probably going to be saying the same thing. Just going back a little bit in concept, it was our concept as a company that we had not only the responsibility to provide access but to try and provide it in such a way that it would not only be meaningful but that it would also be self-sustaining hopefully. Our providing facilities per se isn't going to do that if we just open the doors, say to the community come on, here is access. And open the Center and say here are cameras, go out and use them. We didn't really think that anything would happen that would be terribly meaningful because this has been started before and there have been some successes but these things began to falter because of the lack of momentum. It was our feeling that we needed a catalyst, if you will, to be in the community who could help develop the resources in the community to use our facilities so that our facilities would in effect be properly used.

At the same time, we also felt, perhaps luckily, because they were all guesses, that we didn't know what the hell we were doing. I don't know if anybody really knew what he was doing. Access was a great buzz word and we all had to feel our way. But we also felt that we didn't want to create a bureaucracy which makes me wonder - it is just a wonder before I start World War III up here - whether or not a station that has full time open access with the existing bureaucracy of the station, the station managers and programmers and the rest could really have meaningful public access.

And I just don't know; there is a doubt in my mind because of the fact that you have a precreated and preconditioned bureaucracy in that situation. But one hopes that logically they could do it but if we had the Cable system running it and if we had the manager running it and we had the people reporting, can we put this on and is this obscene and is this libelous or whatever, we had to try and find a way to get around that. And I certainly don't think that we have solved all those problems but by bringing in and working with the catalyst, if you will, to do these things, to train these people and to search within the community for the resources to make the access center, to make the workshop self-sustaining, I think at least in this one specific instance anyway, in Reading, we found the answer for Reading.

I would like to count it as the answer to the "Roads" problem but that kind of universal panacea I don't think has been found yet. But perhaps this is a good guide to start it in a community like Reading to work outside of the system in developing resources and talent and yet have the system be totally cooperative in providing facilities, a place to work, a place to train, a place to walk in and out of, a place to have coffee if you will, with some discipline attached to the Access Center. It should not be chaos, it is not just an open door policy, there are rules and regulations.

MRS. BURNS: No, but Jack, those rules were set up by the people - not by you and by -

MR. GAULT: Yes, but we hoped that there would be rules and regulations formulated. The people set up their own rules and regulations -

A PARTICIPANT: Who set them up? Who are the people?

MRS. BURNS: Why don't you talk about that?

MR. ASCOTTI: O.K., I will. My name is John Ascotti. I am a, I guess you could call me the coordinator in the Reading system. I work entirely for people in the workshop. They don't work for me and in a very real way, I don't work for the cable system either. They pay my check but my energies are devoted to people in the community that want to find out what is going on and hopefully tell us a little bit about what should be going on. Earlier on in this, in our workshop project, we got together as many people as we could on a given day and we thrashed around for maybe four or five or six consecutive weeks trying to work out some system for regulating ourselves that was hopefully as hassle-free as possible. One of the things that we decided on as a group, maybe one of the first rules would be that there would be as few rules as we could handle.

So we did formulate as a group some regulatory rules that dealt mostly with just the equipment - you know, just so people wouldn't take out a video tape recorder and not return it on time and that would kill somebody else off schedule or something like that.

But I have to stress that all of these things were done by the people that we got involved in our community video workshop. There was no interference of any kind. In fact, I heard the term that came up again yesterday, benign neglect, and maybe that in a way characterized the cable system. They provided us with hardware and a physical place to meet and technical assistance from people that worked for the cable system and then kind of left us alone to develop and try to explore some ways to provide some meaningful community service.

Red said something about people not always making tapes for the Cable and that has been very true. For example, we might generate ten or twelve hours of tape per week. We have well over a hundred and twenty, a hundred and fifty somewhere, people from the community trained so far and we do generate a lot of tape and not all of it, or not even much of a part of that tape actually goes on the Cable system. That, what is for most people, is that they have to feel their way out and I think there is a strong feeling among many people in the group that what they want to do eventually is to put their tapes in front of the public and do something for somebody, for themselves or their own group.

A PARTICIPANT: You mentioned you have hours and hours of tapes - what criteria are used to (voice drops down below level of recording) -

MR. ASCOTTI: Well, that's up to the people. Again, this is the kind of thing -

PREVIOUS PARTICIPANT: (participant did not use microphone and spoke very low - also much coughing) -

MR. ASCOTTI: Well, the people that make the tape you see - because I think it is very obvious that people don't really know what is happening - even experts sometimes don't even know what public access is and the people in the community certainly didn't know and when it came to criteria - well, that is a thing that we leave up to the individual. What I tell people early when we have these training sessions is that, that it has to suit you, not us and that if you develop a tape that you think is effective, then, well go put it on the system.

PREVIOUS PARTICIPANT: But I am a little concerned that the ultimate judgment and the choice even of criteria are left to an individual. If the point of the program is (voice lost) - the possibility of manipulation by individuals and I think that that might be a serious problem.

A PARTICIPANT: Can I nose in?

MRS. BURNS: Mr. Earl Haydt.

MR. HAYDT: My name is Earl Haydt and I would like to loosen you up a little bit by throwing a few insults around. (laughter)

(Undecipherable comment from the audience)

I am trying to make a point. You people are all wet in your thinking. Joe isn't - I want to explain a few things. The way this happened - you are looking at a fifty-one year old man, been in the cable business since 1948 - been doing cable casting on a community service basis since 1960. And right now, Jack Gault has his fingers crossed, his legs crossed and everything else, in hopes that I don't tear you apart - and only he knows what happens.

I am trying to say - let's break away all the barriers - let's forget about what you brought up. For example, you brought out a very good point here. Do you mean to tell me, young man - I am trying to transpose your mind a bit and you may kick me in the head when I am finished - do you mean to tell me, young man, that you let someone come in off the street and make a tape and not edit, no - assemble it. And you hand it to the director of the cable system and say here - play this and he shoves it on into twenty-eight thousand homes? To this, I not only say yes, but I say Hell, yes. You mean to tell me as a manager, you don't know what's on air.

Ladies and gentlemen, I haven't the slightest idea what is on that tape. I haven't the slightest idea what is going on in my second floor. I never go up. I don't dare go up. (laughter) Because I do not belong there. Mr. Gault and I went around and around. Now he says look, if it is going to work or not work, let it alone - yes, I know what is going on, ladies and gentlemen, but I don't know what is going on.

Joe forgot to bring out a few points. Joe was not hired as the Director of our Center. I never saw Joe until Red Burns walked in and says I think it is about high time we put somebody in charge of this operation on account of I got to take Phyllis Johnson and ship her somewhere else because you must understand that alternate media center came up and gave us the backup and the first thing Red Burns had to do as she said is come in and get someone out of my office - right?

MRS. BURNS: Right.

MR. HAYDT: Which is a big lie and you know it. (laughter) It is not true. When you come in to a man who has been in the business as long as I have and you get a lot of things going through your mind - how many customers do you have? Why don't you get more? We should have done better last week but on account of this, we did not, etc., etc., etc., - Don't you have the same problems in your business? (laughter)

All I am trying to do, ladies and gentlemen, is break down the barriers and forget about who we are and loosen up.

O.K., now we got this thing started. If you think for one minute that I was not scared, it is absolutely true. Now if I were scared, I would not have entered this business in 1948, on account of, in 1948, we were going to stay in business, give or take - what Jack? - six months, eight months, a year. Here is a bunch of nuts that are going to - we are going to bring television in by wire. Who are you kidding? - who needs them?

Do you know they are still telling us the same thing in 1972 - only they are telling it in a little different way? I am only trying to bring it down to the way it came to me. I started as I said in 1960 to do cable casting or closed circuit origination. One of the first attempts was with Temple University. I personally thought that if you want people to know what is going on in a media, and incidentally, Temple had a media course, I think, for a thousand years, and it is very good. Let these kids come in - they haven't gone out into the community yet - let them find out just exactly what goes on in the community. Let them mix it up with us - let them come in and get their hands on the cameras. Let them be a director - let them be a script writer. Let them be whatevery they want - let them go out in my trucks. Let them talk to people in the homes - the people don't know who they are, they might be in a welfare home one time and go into a Nob Hill in the next twenty minutes. I don't know this, but let them get out there.

The management of the course at that time, said who needs this? We don't have time for this? Why? Because the bottom line was there. But that is not the way you build a bottom line in my book, so we failed. We went into the commercial aspects of closed circuit in those days. Yes, we did everything we possibly could. But we could never go out into the community with a piece of equipment slung over our shoulder and shoot it as it is. We had to stage everything.

O.K., so we go forward to 1957, in Reading. Why did we go to Reading? Well, it was a mess. Tame, if you remember the name, the antenna people were down there kicking the brains out of everyone. They did not want to let a franchise come in, etc., etc., etc. I was not there. This was in 1963. In 1964, they had eight hundred customers, eight hundred customers. Now we are past twenty-eight thousand individual homes. In Reading, there is not a single channel that we give on the cable that you cannot spit on your fingers with a rabbit ears or a rooftop antenna and get. Not one single channel. So why would people want to pay four dollars and ninety-five cents a month to be on the cable? I don't know all those answers but I will tell you we have been mixing it up there for a long time.

But just look at me as a bottom line and as an individual who has a couple of sons grown, who are married, grandchildren. I don't like long hair. Maybe I don't like a lot of things - but I like the country. Now I am going to start to sound like a preacher but it's not true.

So along comes these characters and I will refer to them as characters because when Red Burns and her entourage arrived in your office, you just get bowled over. (laughter)

The first thing we had to establish was my first impression. I said you look like a bunch of kooks (laughter) and that, of course, immediately clears the air. (laughter)

That is my first, the first words that come out of my mind, when I meet someone. For instance, I will ask this young man - are you a kook? (laughter) And I did this to Red at NYU two weeks ago and I think three out of four smiled, because they had met me before, and the other one was ready to take a swing at me. BUT, I got his attention.

Remember yesterday, somebody said the way to get somebody's attention is to hit him with a brick. That is the way to do it.

Now what is a kook? In my opinion, a kook is anyone that wants to change something, anyone what is not satisfied exactly to go along the way things are, day by day by day. Now - as a show of hands - do we have any kooks here in the room? (laughter) There you go. No, we are all kooks, Joe.

I am only trying to loosen you up to the point that there is no point in not being loose. Now you mentioned - another thing - I want to bring this out - in Reading, we have two newspapers. A morning newspaper and an evening newspaper, both owned by one and the same person. You know how successful, ladies and gentlemen, we are in Reading? They absolutely refuse to print our name. Now, wouldn't you think that was being successful? Here we are just a little entity with a hundred and fifty people, right? - they go around with this cotton-picking gadget hanging over their shoulder and the refuse to print our name. Do they print your name, Joe?

MR. ASCOTTI: Not yet.

MR. HAYDT: That's right. However when our antenna site burned down, they printed our name. That was good. (laughter) But they will not print our name. Now this does not make me angry. Why don't they print our name? Think about it. Here we have a monopoly of the press. They print a hundred thousand copies of a newspaper every day. We cannot get a newspaper in to sit down and talk but we have newspaper reporters in the workshop, don't we, Joe? That's right. They are going out and they think it's great. But management has not seen the light yet. Now when you see an editorial in the newspaper that gets printed one hundred thousand times, do you think that was completely cleared by the community before it was printed and is not that one man's opinion? But it is a very powerful one man's opinion.

I would beg to differ with you that every piece of tape that we run on our system is not one man's opinion. It is every man's opinion. And you know the one thing that makes me hot under the collar. We refused, Joe dares not tell anybody what to shoot. We have yet, and we come back to my having faith in people, we have yet to have one controversial issue that came anywhere near ruffling anybody's hair, correct, Joe? Would you like to tell them? Would you like to tell them? Let me tell them (laughter) I talk a lot. (laughter)

O.K., we have a tremendous melting pot of people in Reading. We have six, between five and seven thousand, between black and Puerto Ricans or whatever, ethnic - Oh I happen to be an ethnic, in case you are interested, because depending on where I walk in Reading and say I am a Dutchman - I am an ethnic because I am the only Dutchman there. Maybe Slovaks, Polaks, Italians, so you see, is that right, Red? I am an ethnic. That isn't what you call me. You follow what I am getting at? There is no such thing as an ethnic group; we are all the same.

But going backwards and forwards, up and down and around corners, all I am trying to do is to loosen you up and get you to start shooting. Any loaded question that you have got on your mind is what you can bring out but please remember that we do not have to do public access. We are not going to pick up any channels under the new rules, correct, Jack? Not one channel. We are grandfather until 1977 and we have been doing community access since before we even knew that there was going to be a rule saying that you had to do it or you did not have to do it. Is that correct, Red? And I have changed my complete approach. I heard Mr. Geller say yesterday that the FCC is looking at access. They are not looking at cablecasting. They have, I understand, the prerogative, through the higher courts, to kick us in the head, so to speak, and say if you have got 3500 customers, you will - not may - will do origination of programming. Why haven't they done this? I think it is because they want to watch and see what motherhood can do. Public access. Community access. Whatever you want to call it. Educational access.

Now we talked about only one phase here - we have been mixing it up with school districts since 1967. We have nine school districts of the seventeen in Berks County interconnected on our system. If you want to see a loaded thing happen there, every day in the week, the schools are originating their own programming. I haven't got the slightest idea what they are going to originate. It comes up . . . and is disseminated throughout the community. I still don't know what is going to be on. In fact, they are on the air right now in Reading and I couldn't even tell what's on there. That is their business, they know the rules. We are only trying to say that community access, educational access, government access, lease channels, they all seem the same to me.

We have spent a lot of money and thank gosh, gosh or somebody that we have been subsidized and we have been backed by people we work for because I think they - I am not so sure that they have hold of a maverick that they can't stop or if they really believe in it - but I think they DO really believe in it. At least you know they keep backing us with our so-called crazy ideas which public access was all about at that time.

MR. SMITH: On that note, we have got a lot of questions, Earl.

MR. HAYDT: O.K., sold.

MR. SMITH: Before the questions, maybe this will be helpful. I would like either Red or John to give a simple, brief statement of what exactly is being done in Reading, let us say by way of how it works? How many, how much time on the air, and stuff like that? Could that be done?

MRS. BURNS: Yes, there is usually an original hour a week which is repeated four times at the different times of the week. That will increase as people want it to.

MR. SMITH: An original hour? You mean one hour on the public access channel?

MRS. BURNS: There is no public access channel.

MR. SMITH: There is no public access channel?

MRS. BURNS: That is what Earl was saying. They didn't have to do this.

MR. GAULT: Red, may I say that Jack and I researched that very carefully. We are using a channel and we are sharing it for community access, closed-circuit, etc. etc.

MR. SMITH: How many channels are there on the system?

MR. GAULT: Twelve - we use it.

MR. SMITH: Do I gather it is used entirely for local activity of one sort or ancther?

MR. GAULT: That is correct. We use - we use twenty-seven off air channels plus what we originate to keep the twelve channels filled up with a very elaborate switching system. And the public access is on a time-share basis and my theory is - and Jack's theory is and he is going to kill me for this I suppose - our theory is that we will not under any circumstances wait until 1977 to go more than twelve channel capability. We are saying that when the demands are put on our system, we react, and as the demands are put on that we cannot take care of, the information we have to disseminate, we will add more channels.

However, along those lines, I would like to add that we have any given time, because of the duplication of efforts on many stations' parts of the networks, we have much time available anytime during the day where there would be network time, prime time or other. So we are not in any trouble for a long, long time. We could go to five channels at certain times of the day, if we had to.

MR. SMITH: O.K., Red, just complete the description of what happens and then I will get to the questions. Is that it? Is that -

MRS. BURNS: Yes. Just basically, the concept was started for the community. The question was - the thing was started with a question which is Cable, what does it mean? What do people think it is, how do people feel it can be used? Rather than coming in and layout this is this is this is this. We didn't go in with a master plan. We went in with a concept and the concept was a question. And the question was how do people want to get involved in terms of getting it together? What has evolved has been indigenous to Reading and - one more second please - what has happened is that we have now started one in Orlando, Fla. under ATC's auspices. One started in Bakersfield, California last month under the auspices of Cypress. There will be one starting in the Midwest under the auspices of Television Communications and TelePrompTer has invited us to discuss with them the possibilities of setting up original situations for - a possibility of original set-ups - for TelePrompTer which we have not yet completed, which we have just started talking about.

MR. SMITH: Earl, unless it is important, I would like to catch some questions, okay?

MR. HAYDT: All right.

MR. SMITH: O.K., here we go, - yes sir?

MR. CALLAHAN: I am confused about what the hell we are doing here and Mr. Haydt has been very successful in at least irritating me. I am not sure whether we are here to find out what case histories . . . in community and local programming or if we are talking about how to? The thing is labeled a workshop. I am not really sure where we are going and I think for one I would like to have some answers to that so that I can get an idea of whether we should hang around.

Now the other thing is we have got five people up there who know something about community and local programming and we haven't been able to hear what it is they have to share with us. I think we may like to get that.

MR. SMITH: If I may ask you who you are, sir? I am sorry -

MR. CALLAHAN: I am sorry. My name is David Callahan. I am with an organization called Communications Dynamics.

MR. SMITH: Thank you. The way I understand the purpose of this workshop, number one is to resist all efforts of the moderator to guide it. And number two is to find out what may be on the minds of the people here that they would like to ask, the people who have been into this thing. I don't propose that everybody here has the same kinds of curiosity. Some are probably interested in nuts and bolts. Some may have more complicated questions as to whether it makes any sense, whether it is an important or an unimportant feature of the Cable. I will let it go at that for the moment. Yes sir?

MR. JAMES: I am Tom James of Dallas, Texas here on behalf of "Cable". One of the questions which comes up with respect to public access is will there be sufficient demand from the community to utilize this channel or must there be some guidance, some group, some kind of a structure, to stimulate and bring people into the use of such channels?

MR. SMITH: I would like Thea to try that, to start.

MRS. SKLOVER: In answer to your question, I guess I would like to make a statement which is probably quite contrary to anything that I have ever said before. Our experience at this point right now is that we would have to say that the public access is not working and it is really not working (break in tape). I think partially it is what you are implying but, even more than that, we are talking about helping a society that has always been very passive in terms of television to become participants in television. I think there has to be realism in terms of how you are going to make that happen. There has to be SO many connections made, no question. One of them has to be on a very grassroots guts level. It has to be in terms of people knowing that they have access to something and it has to be made available to them on that level.

But, it has been our experience, and increasingly so as a matter of fact, that unless there is a tremendous amount more of institutionalizing in the community in terms of what public access means and how it can function, it is really going to be something like five or ten years from now that we are all going to talk about the great promise and the wonderful potential and I will probably get accused of having raised a flag a lot.

But, in reality, you know, and I can't impress this upon you enough, unless the society - and I mean society in its terms of - because it is going to have to come through government structure to a very great extent - is committed to making the concept of public access real. It really is never going to be real.

Yes, you will have people working with television equipment. You will have some people in the community who will have enough sophistication or enough understanding or possibly gripes, etc, who will care enough to learn and to gain access to the system's equipment but unless there are ways to institutionalize it in terms of other existing structures for instance, we were talking before about the educational institutions, well

I think there has to be a very real attempt made in terms of the way educational institutions are going to make use of this new facility.

I think we all know that there is some equipment that has been lying around schools for many, many years and the answer hasn't been in buying more equipment. The answer is and the problem has been that people don't know how to make use of it. Teachers don't understand how the equipment relates to what they are doing in the school in terms of being teachers, and the connections that have to be made, have to be in terms of the particular institution or the particular individual and the way the technology can work for them. Very often, we have found that this is not a natural thing that occurs but what you really have to do is almost take people through the process so that they begin to understand how this technology can work for them, what it means, how the technology fits into the school system, not to just make television programs and something separate and apart.

We have started quite an extensive program now in high schools and in elementary schools and they really teach a training program. We are working directly with students as well. But we are saying that you have got to help the perpetrators if you will, the teachers, the people who are really those who are going to make the difference ultimately to understand what the technology is in terms of their needs. The connection has to be made on a very, very wide variety of sources too.

There are lots of institutions within - I can speak much more personally in terms of having worked in Manhattan - we have been giving assistance outside of Manhattan, much more on an information basis, but particularly in terms of Manhattan. Most institutions, most groups, are not nationally going to use either public access or government channels. There are two channels operating now in Manhattan, channels A and B, and they have been left to municipal use and there is nothing happening on those channels.

I think the first step was to get a roadway and I would say that is what we are talking about in terms of public access. We have talked about educational channels and government channels. It is a beginning, it is a road. But the analogy that I think is very apt is that a road without signposts isn't used very well. A road that hasn't even got a line up the middle yet, people don't really know how to travel this road. There is no equipment, there are no cars for this road and people don't know how to drive the cars. In other words, people don't know how to use the equipment. If people don't see a reason for it, a rationale, why use this instrument? Why make television part of what I am about? I am a politician and I am concerned with education or I am concerned with crime on my street corner - I mean how does this connect to me in some very real sense?

Unless those connections are made and unless - I am sorry but I don't think you can get away from this - unless there is a (word lost) made in terms of funding for this kind of thing, I think the promise is terribly empty. There must be a way to institutionalize funding for this kind of utilization. Somebody has to put the signposts up and somebody has to pay for the cars and access centers are a beautiful beginning and a very important part of it but is the merest beginning.

MR. SMITH: (words lost) for just a minute - Doyle Dugans has been operating a channel in Michigan and I would like to hear several things from him. But first I would like to hear what's he doing and secondly how does he start it and third is, is anyone listening? May I do that? I realize that there are some questions here in the audience but I would like to first hear -

MR. DUGANS: (speaks too low and does not speak into microphone)

A PARTICIPANT: We can't hear you.

A PARTICIPANT: I think it would be a good idea after Mr. Dugans is done to talk more specifically why, about why public access is not quite working in New York and the ways that it might (voice drops very low and rest of sentence is undecipherable)

MR. SMITH: I agree completely and that is one reason I want to hear from Doyle now because he is actually doing the thing and I would like to hear how it is working out.

MR. DUGANS: I think you asked me three things - the first was how was I funded. I might borrow twenty dollars from you. (laughter) You know we scrounge and scrape like this. Seriously, this is the way we do it. I am not going to (word lost) - money is from (word lost) particular place. It is a shoestring operation, some out of my pocket. I stay in debt. You know I worry about my phone bill, you know whether the lights will be on - but I don't have a studio.

What I am doing, I don't think it is any big thing. People seem to think it is some sort of miracle. I am producing five programs a week and they are shown through Cable TV, but we don't talk about the money I owe them. I always look the other way when that comes up. But they are black oriented programs - (Mr. Dugans speaks very low and slow - most words are swallowed up) - that was my first program. An on the street type program where I go out and talk to blacks in the neighborhood about definitions. Apocalypse is a Gospel program. I have at the present time two participating churches. It is a half hour program Sunday morning I will film my first hour program. He was sold a half hour program but he was enthused with it, so he wants to increase it to an hour so (word lost) Sunday morning the first hour program.

Black Talk is a woman's program that is a half hour program with black women in the community. Mrs. Roland, she works for model cities and in Flint, she does a very good job. These women are interesting women. When I say interesting women, I don't mean women that have made it. She talks to anyone, any black woman in the community, be she a prostitute, a drug addict . . . if she has a story to tell, we feel that the community should hear her story and this way she has a chance.

I have People's Law School. I moderate that program. It is an hour program - we utilize the talents of Clint Chapman of the National Lawyers' Guild and a couple of other attorneys that I call upon. We talk about the law as it relates to people in the streets? What do you do if you should get arrested? What do you do if you think you are going to get arrested? We talk about tenants' rights, bankruptcy proceedings, the whole gambit of the law. We take it in sections. People can call in or they can write and ask questions of a general nature, and we deal with those also.

I had attorneys on my program, I had three judges (voice drops down and rest of sentence is undecipherable). It is a very popular program. I enjoy it and it makes me feel good when I go out in the streets and somebody says, you know, I saw the program and I found out something that I didn't know so I am going to see my lawyer so he can take my case back to the . . . (laughter) - evidently something is coming out of the program.

War On Campus. This is an hour program dealing with students on the three campuses that we have in Flint (rest of sentence undecipherable). This program is handled by a young lady that started out with me. Well I trained her, passed on to her what I wasn't able to pick up. She operates the camera, you know just a jack-of-all-trades. She does all the typing. She loans me the money (laughter) - and we just work very closely together, that's all. (laughter) So she has - she is doing War On Campus and we deal with problems that black students have on campus. We look into their sororities, the black students unions; you know, that sort of thing.

Then I have a special program we do on black personalities - if there are any blacks in the community (word lost) that I can get to, I will take an hour program and talk about them. We had Julian Bond a few weeks ago. We had Dick Gregory and we had David (word lost) from South Africa - you know people like this - people who have something to say to the community in terms of . . .

I am getting ready now to do twenty-six programs on Model Cities - Flint Model Cities - and I have got a Childrens Storytelling Program. I am kind of tired (words lost) I don't know, I hope I will get to it next week. We have a 15-minute black broadcast. I am waiting for the station to get their thing together so I can get mine together.

(There is a loud buzzing on tape which completely obliterates speaker's voice for two minutes on the tape.)

I would do better if you asked me the questions.

A PARTICIPANT: I want to ask you a couple on it. The first is do you lease the channel from this Cable company.

MR. DUGANS: Yes, I have a lease agreement and wherever I go, this is what I try to do. This is how I make my money you know, hopefully. I am concerned about the community, you know, so that is that. I am doing something for the community, - or at least I feel that I am and at the same time I am trying to make some money.

A PARTICIPANT: What does it cost you to lease the channel - if we may ask that?

MR. DUGANS: Eight to ten dollars an hour.

A PARTICIPANT: Eight to ten dollars an hour. Do you take advertising on your channel?

MR. DUGANS: Yes, I do - (loud buzzing on tape obliterates speaker's voice). But they give me a great deal of support and I have to figure out some way to get more advertising. I am doing everything by myself. I left my job with the City of Flint in Community Development and my other participants are working on full time jobs. I am the only one who is working. You know, sometimes I go out and do a program and I set up my cameras and equipment and get my people into position and I push the button and I run around and sit in front of the camera and moderate the program, you know. (laughter) I don't have anyone else to run the camera for me. So that is the sort of thing it is - it is really a one man operation, you know, right now. I hate this for I don't have time to do anything else, you know. I can't get out and sell time; you know try and get the advertisers. I run (word lost) Ann Arbor - (words lost) Cablevision - Michigan Cable TV (word lost) and I also do work for (word lost) Communications so that keeps me pretty busy.

MR. SMITH: Thank you very much. The gentlemen back there.

A PARTICIPANT: My name is - (speaker does not use microphone and talks very low). (There is also a loud buzzing on tape which completely obliterates the question.)

MR. SMITH: Doyle wants to respond (words lost) is one of the prime movers in the tremendous battles that resulted in substantial concessions from broadcasters (distortion sound).

MR. DUGANS: The major problem I believe is money. You know it . . . to money. So far I haven't been able to get any money from anybody for my particular operations, if this is the sort of operation that should continue, you know - personally you know I couldn't really care less - . . . can come over and do a good job. I am doing the best I can. I felt it was needed in the community. This is why I got into it. I felt that minorities should have some means with which to express themselves, so you know here I am at this particular point. know the sort of job that I am doing. I am doing the best sort of job that I can with what I have to work with. I am not too concerned with producing Cecil B. DeMille type productions. I try to give my viewers a good quality, you know, good quality program from my half-inch video. That is -

MR. SMITH: I want to point out something here that there are two underlying reasons that have been evident here, that have been evident in all these meetings that I have attended that relate to community programming. The one is that there is one group of people that feels that they must move towards the professionalism and another resists it and -

MRS. SKLOVER: May I? I think that we have to really understand what we are talking about. I mean we are mixing apples and oranges really. I mean we are talking about a way to use Cable for a void and a way to use Cable as a void and make money and I think that has got to be something that you have got to understand. We are talking about two different things. There is a set-up and I am not putting down - I just think, you know, that people ought to be aware of the difference between the concept of these channels and the concept of access or any other access question. One is where you really become an entrepreneur which is a really a new, wide-opening field for minority participation without question, and for many minority groups which will not be able to participate possibly in ownership of Cable because they can't get that much money together. But they will be able to lease channels and create information to put on those channels and have advertising or some other form or some other way of commercially sponsoring and commerciably, really viably supporting what they are doing.

That is ONE thing and I think it is an important thing. What I am picking up in what Mr. Dugans is saying, who I would also like to congratulate personally for the work that he has done, is that whether it is ever going to really work on a commercial level or as well as on the public access level is what we are concerned with. Is that you really have to have a way to help people to really gain skills and I think that we have to be respectful of people, too.

I may be terribly sophisticated about the media. Maybe I think that what is on television is junk, but I really don't have the right to impose that on other poeple. The right I have in serving people is to help them to gain the skills that they want to make the kind of television that they really want to make and there is no question that it is true - most people are programmed by the way (words lost) television.

What really needs to happen and I guess I am sort of just beating it to death but I don't think there is any question that you must have technical assistance programs that are really going to help people to actualize television in the way they want it. Once people achieve their own degree of sophistication with televison and then they want to utilize television in a different way that is fine. But I think that if you are honestly, really starting out on equal footing which is what you could do with access or with a lease channel sometimes, you have got to build in the structures to make it work and you just can't assume that you are going to change people on a mass basis that quickly and I don't think we can get away from the fact that we are still talking about that.

Yes, the concept of Cable farther down the line is very individual, is very small, but we are talking about today and the way people experience television today and the way people think about television today. And we must give them what they are used to. I am not saying that you have to stay there but you have to start there. Otherwise, you are not starting on equal footing and minorities will be where they have always been which is . . .

MR. SMITH: Red says she wants to respond.

MRS. BURNS: I agree with what you are saying. I just have one thing and that is that I think that what we are talking about is how do you get people involved? Cable is only an aspect of that involvement so that it is most important to get people connected on to the possibility of developing the skills but also they themselves must develop where the skills and initially, maybe the stuff is sloppy as people get it together, but I don't think that that is what is important. I think that what is important is how do you get people involved in - how do you make people understand or want to understand that for the first time there is some kind of access possibility? So rather than say , O.K., you are going to make television - I am screaming at this thing -

MR. SMITH: It's O.K., scream at us . . .

MRS. BURNS: How do you get people beginning to use that as a means rather than an end and when you talk about making programs, the programs become the end and the possibility of exploring what the means are. And so the idea of workshops and technical assistance and encouraging people to get this thing together on their own are exactly the kinds of things that I think we are all in agreement with. I think that in answer to your question as Thea says and as (word lost) says, the problem is money, but until - there is no point in putting a pile of money somewhere -

A PARTICIPANT: (Did not use microphone and spoke very low - text lost).

MRS. BURNS: That's what we did.

SAME PARTICIPANT: How much do you charge?

MRS. BURNS: Well, we have -

SAME PARTICIPANT: You know, this is the kind of commitment, ladies and gentlemen, that we are talking about - (rest of text lost)

MRS. BURNS: All of us sitting here -

SAME PARTICIPANT: - is to provide them with some sense of direction - we don't want to control what they put on the air and we don't really care about how sloppy the program is. But the people - we give them some sort of basic principle on which they can effect some local change if that is indeed what they want. This whole principle of - you have got to make money out of it - you know is kind of alien in one sense. Our community doesn't really have any money. I don't know where the hell we are going to get it. There aren't any support foundations, the churches are in a worse situation, they won't help us either. But I think the very basic question is that those of us who are involved in fighting (words lost) is where is your commitment? Can you Doyle, Henry and Red, Ralph, and John and whathaveyou come out to our community and help us set up some sessions where you provide technical assistance for free?

MRS. SKLOVER: Can I say something here? I think it is so important and I think it is the next step that people haven't really thought through yet which is if you want that kind of technical assistance on an ongoing basis and you don't want it from the Foundation - which you are right - I mean Foundations can only support so much - I mean there are a few of us who have been lucky to get in early enough to get the Foundation's support. That is why what you have got to be aware of and it seems so obvious to me that where the funding has to come from is the structure of Cable itself.

There is something we have talked about for so long with broadcasting; we came much too late. We talked about taxing television sets and applying that towards supporting technical assistance for training or public television. It is too late, you will never get it through. We have talked; still continually every year we have a tremendous amount of problems in getting the appropriation for the Corporation for Public Broadcasting which is the very thing you are talking about.

It seems to me that it is so very logical that - and you have heard it from Cable operators very strongly - the strongest presentation I have ever heard - public access helps Cable. Now it seems to me that if the cable operator is collecting a fee for giving a service for people, there must be a way that part of that fee is set up in a fund to support the kind of process that we are talking about. I mean (word lost) becomes institutionalized. You are always going to again be out there in the cold saying somebody is going to help me. You should have money in your community for that - you shouldn't be - you can help me and do it for me - this should be a process whereby Cable grows in your community. There is money to make sure that this really happens.

MR. SMITH: There are all sizes of people who want to talk. I guess John first, panelists before others.

MR. GAULT: I have several comments. Having listened to what Thea said before I think that she hit upon the very important thing that must be delineated even further. We feel that there is this vast difference between local origination and public access. They are apples and oranges. They are two different things. In every community that we are in, today, where we have the capability, we are planning to begin a public access activity and every community that we have had franchised in the last six to nine months, each one of those franchising proposals and presentations has a company and we are not alone. I don't want to make it seem like we are the only one that is doing it. The other companies are also presenting plans for a dedicated public access studio with free technical assistance to be provided in those proposals in the franchise.

In addition to that, there were very sophisticated schedules set up for the kind of local origination that would be created by the Cable Television system, hopefully specifically for that community. And it is today that we find many franchising entities making decisions on who gets the franchise in the community based on the depth and breadth, if you will, of our proposals and our commitments to the community. So as far as the comment before - would we come to El Paso to give somebody free technical assistance - we would certainly go and our doing those kinds of programs where we have systems and hopefully the person who got the franchise for El Paso and San Antonio would also make that commitment. I can't commit for them because we don't have a franchise there but one hopes that the cable operator would be sufficiently enlightened to realize that this is in his interest to do that.

Now Thea made a very interesting comment a moment ago about the (words lost) fee charge or something to the Cable Television System to support this. That is quite a can of worms to open up and perhaps that is the way it is going to happen. I hope that the commitment as an industry - codes of the industry and the FCC's hammering out of rules and regulations in conjunction with - again hopefully an enlightened industry - will not make this necessary. It begins to put an onus but this kind of an onus on an industry that you must be taxed to do that because it would certainly be unique; the broadcasters do not have this kind of a situation. If we were dealt with universally in this respect, it might not be so bad but I think that when you sit and talk and as Thea says, you must do these things, I am not really sure who YOU are. Are you cable operators sitting here in this room today? Are you Catholic Priests? Are you Episcopal Ministers? Are you consultants? Who in the world are you?

Our company is an MSO - O.K. - and we are committed to this and I hope - and I know that the other MSO's are committed to do this.

(Comment from the audience)

MSO - that's Multiple Systems Operators. I know the people at TelePrompTer are doing this kind of thing. We are not the shining beacon. We are one of the companies that is trying to do this. The fellow at the TelePrompTer is trying to do it. The fellows at Television, at Warners' Communications are trying to do this. They are trying to do the same thing. I hope that you mean that if your operator is working with us finding out our experiences and you, if you and other people and interested citizens in the community, will work with us first to find out what we can do then what we will do before we go off in different directions where you say, hey, I am going to go and get "a tax against your body" and make you do these things.

MRS. SKLOVER: You make it sound so . . . Sir.

MR. GAULT: No, we are here to work with you. I am invited here to work with you, not to have somebody tell me I am going to tax your behind to get you to do these things.

MR. SMITH: We didn't specify any conditions in your invitation. (laughter)

(Many voices speaking at once.)

A PARTICIPANT: (Participant does not use microphone and speaks too low - text lost)

MR. SMITH: I have been waiting for a really tough one from Hank Pearson. Hank Pearson is with TelePrompTer. Go ahead, Hank.

MR. PEARSON: To give you good figures, I think we are not quite there yet. Last year - that was ending July of this year - was ending the first year of public access operation in New York. Now I am talking about public access as opposed to origination.

Public access last year we estimate cost us somewhere in the neighborhood of sixty thousand dollars. This was doing -

(Undecipherable comment from a participant)

That was for two channels and that was originating the programming from our originating studio, feeding the programming through our head and out into the system and whatever hardware we happened to provide to originate that portion of the programming that we originated.

I might point out first that a lot of the programming that got logged and used on public access, did not originate in our studios but is provided by us by Red Burns, by Thea Sklover and by some of the other many groups that are working with half inch equipment in and around the New York area and for that matter across the country.

July first we opened what is, I guess what might be called the first public access studio. It has had many failings. We are still examining this and we are still seeking answers to the operation of the studio. This studio we estimate will cost us - this would be rent, equipment, etc., - somewhere in the vicinity of thirty thousand dollars a year. This does not include salaries of the personnel that are involved directly with the studio and those who are indirectly involved with it. What the ultimate or the final figure on that will be we don't know yet because again it is still an experimental thing and we are still adding equipment.

We opened the studio with a one inch VTR camera and a minimum amount of other equipment. We have since added a half-inch camera - another VTR - we have another

VTR on order and we have added a slide projector, and some other equipment. So although we set a budget to open the studio at one figure, that figure constantly changes and we find and require additional equipment, etc., to operate it.

MR. SMITH: Anybody else?

(General discussion)

MR. HAYDT: I have some figures too, Ralph, if you want on that question because I think that there are different levels. The cost to run a public access center versus a black and white studio operation versus a color studio operation; we have all three operations going in various systems that we own. The public access experience in Reading to provide this hour a week I guess cost us around fifty thousand dollars for the first year of operation and that is everything, travel expenses and the whole deal.

(Question from audience - undecipherable)

MRS. BURNS: No, it runs at different times. It is one original hour -

(General discussion)

MR. HAYDT: Four times a week. But that includes the capital expenditure which is a going-in capital expenditure - it will cost to operate the facility for the next year -

MR. SMITH: What is the figure again?

MR. HAYDT: Fifty thousand dollars.

A PARTICIPANT: A year?

MR. HAYDT: It cost us for the first year -

(General discussion)

A PARTICIPANT: You are talking about thirty-five thousand a year for four hours a week -

MR. HAYDT: Oh, it's much more than that. Many more tapes have been produced than the one hour a week that goes on the air - and which illustrates that. And the second year, of course, will be far less.

A PARTICIPANT: What is the ratio of the average ratio of hours produced to hours aired?

MR. HAYDT: I am not sure about that - four to one ratio, . . . ?

ANSWER: It is more like to ten to one -

MR. HAYDT: Ten to one -

A PARTICIPANT: Why do the other nine not happen? Were they just trials?

MR. HAYDT: Well, the choice of it - the individual's decision - if he wants it to go on the air, it will go on the air.

A PARTICIPANT: He can make it but he doesn't -

MR. HAYDT: He can make it but he doesn't have to put it on, but if he does want it on -

(General discussion)

We do not decide -

MRS. BURNS: It takes that first initial period for people to get used to handling it.

MR. HAYDT: (words lost) we don't tell him it can go on or not. He makes his own. He shoots the tape and if he wants it to go on, it can go on.

MRS. BURNS: I have some more figures if -

(General discussion)

MR. HAYDT: I didn't finish yet.

A PARTICIPANT: Let's get this straight. That is two hundred hours a year on the air, representing two thousand hours of programming either live or pre-produced, divided into thirty-five thousand dollars operating - taking the capital off -

MR. HAYDT: The operating figures - (words lost) - much more sophisticated. (laughter)

SAME PARTICIPANT: O.K., two thousand hours into thirty-five thousand dollars.

(General discussion)

MR. HAYDT: It will not look like that the second year. I will come back to you in a year from now and tell you what the new numbers are - well that is our going-in experience. Now the black and white studio operation for local origination and programming that we feel are indigenous to the community and Boyd, Wisconsin is an example - the Treehouse, the Children's Program, Black Corner - a program produced by blacks in the community, which is put on the system to everybody. We figure that it costs us, including all of the capital expenditures and amortization of them over a period of time about fifty-five dollars an hour to turn the lights on in that studio for a program production. Talent costs are extra. You know you can spend whatever you want on talent in black and white, with Sony, videotape recording equipment, one inch equipment.

For our color operations, which are Sony color, I think that our cost estimates are around, with amortization of equipment, about eighty-five dollars an hour to turn the lights on, if you will, and turn the cameras on in the studio and then talent costs are extra for that.

So those are our cost figures that we have to pay and I think that it is more than likely they are conservative figures.

A PARTICIPANT: That is a manned studio and it includes some kind of amortization of the equipment.

A PARTICIPANT: Does that include tapes or live?

MR. HAYDT: Yes.

MRS. SKLOVER: I would like to throw out the possibility that maybe you would like to take all that money and set up real community access and get rid of local programming done by the system and throw it open to the community and let the community have their hands on it and begin to make programming so it won't cost you eighty-five dollars an hour to turn on the lights.

MR. HAYDT: Well, we have tried if you will to do some of that already and perhaps we haven't done enough. We are all seeking some answers, Red. Maybe we should do that.

MR. SMITH: I see Callahan's people really want to (words lost) - "first" to the gentlemen over here.

A PARTICIPANT: I will try to keep my remarks rather brief.

MR. SMITH: Can you all hear him?

(General "no")

SAME PARTICIPANT: I will try to keep my remarks rather brief but - (participant did not talk into the microphone and spoke very low - much of the text was lost) The first thing is most Cable Systems are not designed for local communication, right off the bat. Local origination . . . (words lost)

Most of what I say comes through a year's evaluation (words lost) the public access channels and how they are operated in New York - I don't want to go into details but I just want to make one point clear. These models are only certain models and there are other possibilities that (words lost) -

MR. SMITH: That gentlemen over here?

A PARTICIPANT: My name if Jim Bell. I am from the Office of the Mayor. I can't help but wonder if we are not, not consciously of course, but if we are not either creating an obstacle (distortion on tape). There is a big businessman sitting behind a desk who manufactures this kind of equipment (words lost). Here we have a bunch of social workers who want to go out and do all kinds of good for the community. We have people in the society that are being discriminated against. If we can sell them the idea that this is the answer to the problems (distortion on tape - part of text lost).

MRS. BURNS: Well, the point is that if the control is in the hands of the community and the community makes its decision as to how it wants to express itself, then you don't have it -

SAME PARTICIPANT: But you seem to have missed my whole point. O.K., how does the community express itself "prior to" -

MRS. BURNS: They had no means to express it. The point is that you can set up those environments and create those possibilities for those things to even begin to be talked about before anything actually is done, has got the beginnings of some kind of community expression.

SAME PARTICIPANT: What actual results are we looking for from this expression? Show me some -

MR. SMITH: I think after only a year or a year and a half of, or a year and a quarter of operation, it is a little difficult to say here is a benefit, here is a benefit, here is a benefit. But I do believe though that anytime we do begin to improve communications then we have got to have some beneficial gain from this. I anticipate and I foresee that Cable and especially public access utilizing this vehicle can improve our communications to the extent that maybe we will begin to know a little bit more about each other and improve quite a bit of what socially now is a bit of a problem and other than the equipment manufacturer, there are many other groups or people that are concerned and feel that this offers something.

Recently, for whatever your feelings may or may not be about this Justice Department, they have inaugurated a Community Action Program and they have, are beginning to utilize public access as a means to communicate this program. So using that, and some of the other things that have happened, I believe that we can improve communications with access.

MRS. BURNS: Two points that I think are particularly relevant really. First of all, I think that if you think about the way people receive their information now over television I think that might answer - the way - I am sure that you are aware of - is the way things are made right now in terms of what you see on television purely of marketing consideration. Television, over-the-air broadcast television is a business and the way you decide what you are going to put on television at this point is whether indeed you believe you are going to get an advertiser, whether you can deliver an audience. That is the way television now is produced. That is the basis for it, the numbers game. And it has nothing to do with expression.

I think what you are hearing people here say is that there has been some evidence on the part of our society, of a desire to be heard. A desire to be able to communicate. A desire to have information come over television that isn't necessarily only there because of marketing considerations.

I will go to the next step though and say that part of the profits of communication is not just creating information but somebody hearing the information. And that is why I think it comes back again to the fact that if you are not able to use the medium in some way that someone out there is going to care about what you are saying. You are not really using it to communicate. In that respect, I agree with you. If it is only taking "portapacks" and just creating information that you personally care about, you are not using the communication aspect of the medium.

A PARTICIPANT: I would like to -

MR. SMITH: Just one, just the last thing, and that is I too agree that Cable and public access are not a panacea but I think it can help towards this thing.

MR. DUGANS: O.K., I would like to throw a friend on mine on the spot. Helen Low works for Michigan Cable TV and Helen - just you know, briefly just share some of your problems that you are having as far as public access, you know, getting the community involved.

MRS. LOW: (distortion on tape - text lost)

MRS. BURNS: The question I would like to ask is how do you learn how to learn? How do you find out what you can do without having the opportunity to play with it, to experiment with it, to have it become a part of you? How do you begin to understand what it is to be able to generate information, to collect it or even to be connected to it. And that is the aspect that I am particularly concerned with. It isn't enough to say O.K., this is public access and here are the skills with which to do it. But what, how, what kinds of things can be set up for people to begin to stimulate each other? To begin to talk to each other about the kinds of things that happen and most of the things that we have discovered out of our own experience is that we can really in that sense throw out the question.

And people then get it together on their own. It might take a little longer, and heaven knows, initially the material is not very good which is why we have that ten to one ratio. Eventually that narrows and people really get a handle on what they are doing and what they want to do and so they have to be patient intially, and I think it is that length of time that is so important to let people develop, to let people do it.

MR. SMITH: The chair now wishes to point out that it is now a quarter to eleven. I don't know if you want to break for coffee or not - is there a move on this -

(General - let's keep going).

People are saying let's keep going. You will have to wait your turn, Carol, I am sorry to say.

A PARTICIPANT: It's O.K. I have had my hand up for an hour. (laughter)

(General discussion)

A PARTICIPANT: (distortion of tape and participant speaks low - text lost)

MR. DUGANS: My position is little different from everybody else's. I am in it to make money first of all. So in order to make money, I have to find out what kind of programs black people in Flint are interested in so in order to find out, I am in the community. I belong to nine or ten different community organizations, you know, I meet nine nights a week. (laughter) All of the other people I am talking let, you know. I get this feedback, you know. Why can't we have a program like this and we talk about certain things and so you know, here I come.

For instance, personally, I like gospel music myself. In the City of Flint, after Sunday, you can't get any gospel music or any church programs. So I am not the only one who thirsts for a little good old music in the middle of the week, so wham, Apocalypse. You know the gospel program is a good thing. We have a lot of churchgoers in Flint. Alright, so I found that that was one kind of thing that the community wanted.

All right, blacks have never had a chance to express themselves in Flint, you know, on open issues. We talked about busing. We talked about some of the rotten politicians down in City Hall. So people had a chance to talk about it. You know, anything that comes up. I find out what they are talking about in the streets and I would structure my next program around this and we would go from there.

MRS. BURNS: The other possibility is that you can manage to get some kind of a story out of the newspaper which says this is available and people who are interested in talking about a workshop, and then they are invited, and then it is open in that way so that you don't go out and select people to come in and then it begins to travel by word of mouth.

There isn't - I want to make one thing perfectly clear, and I realize . . . (laughter). The point is that nobody determines what it should be; it is open. The question is how do you make it as open as possible and the only way we have yet been able to find is to initially, hopefully, be able to get a story in the local press or on the local radio station, or whatever, to suggest this. To suggest that there is Cable and that there is that possibility and that come come and begin to talk about it.

MR. DUGANS: That is very good. You know I get a lot of phone calls. You know I couldn't possibly think up, you know, ideas for programs. You know that is not my shop. But people call me, you know, why don't you talk about this or why don't you do this? And I go and talk to this group and wham, the next thing you know we have done a program on it and this is the sort of interest that is generated in and you know I stay in touch with the community like this. And I feel that I am actually producing programs that they want because every program that I am doing came out of the community. You know it is what people wanted so I am trying to give them what they want.

MRS. SKLOVER: To me this sounds like NAB. For those of you who don't know what this is, it is the National Association of Broadcasting. I mean what you are really saying is that you can talk to any broadcaster and in order to keep his license every three years, he must submit to the FCC his assessing of community needs. Now different broadcasters do it in different ways. Some call in ten different community leaders and they tell him what they think it is and they write it up and they send it in and they say this is the way we made our decisions about what our programming is going to be this year.

The point I am trying to make again is that you are not seeing the differentiation between what it is to have someone else make the decisions about what should be going on. How does somebody, be it the Cable operator - you ask who do I mean by YOU? I am only talking about people. And I am talking about cooperation certainly from the Cable operators and the municipality and from all the multiple cultural and other organizations within the community who make this real.

But what I am trying to point out, what I am saying to you, is that what you have got to do is have a system and a structure whereby people, both in institutions, educational institutions, museums, libraries, all these local cultural organizations, as well as your local health centers, have to have a way to be aware of the fact that something is being offered to them.

And then they need to be assisted and helped to learn how to make use of this new opportunity. As long as we sit back and say well, you are the cable operator, you who are the broadcaster, you, whoever you are, you are the person who is supposed to go out and figure out what we need and then you give it to us. We are really not using what public access could be.

MR. GAULT: I would like to answer the lady's specific question before, as a system operator, and try to speak for some other systems operators too, and also maybe make a comment on Mr. Bell's statement before, which could be slightly contrary to what Thea Sklover said before. There is a dynamic apathy in the public and they are not screaming for public access.

Before we did the Reading experiment, there was nobody knocking our door down to try to have public access. I dare say the same thing is true in Manhatten. That doesn't mean, however, that we shouldn't do it because the couple of people who do have some insights, several prople not just a couple of people, many people have an idea that here at last is a chance to be able to provide a conduit and as a Cable Television Systems Operator in public access, we are purely that, a conduit of information and communication between people. It is incumbent upon us, at least - I won't speak for other companies because I know how we feel - it is incumbent upon us not to make policy decisions with respect to that information and content on a people-to-people basis. We feel that it is important to try and develop and make available resources and technical skills so that people may use that new method of communication, the access channels.

Now the lady asked before how do we decide what the people want? There are other things that we do. We do community programming, which is local origination, which may or may not be entertainment programming. But we also do programming that is specifically entertainment programming, movies and the like. We know that in most systems that we operate a lot or people are interested in high school basketball games and we go out and do the high school basketball games. That is a pretty universal thing. We also try in various communities to get it into what the people want in community programming. Reading has a large Spanish-speaking population and they have their own show called "Orientation Domestica." The name has been changed now and we provide color studio and facilities and help produce a program in Reading.

So we try to do this and maybe we are not doing enough but we try. The other companies do these things too where the local politicians talk. We provide time during political campaigns so that the candidate may have - in the community and you know we have, in a lot of our communities - high percentages of saturation. A lot of people are connected on and it would cost a fortune for the politicians to go and buy time in a broadcast station to go over this wide area when in fact they are running for local council just in that community. So the cable television operators try to make time available in those areas.

We are searching for ways to better communicate with people so that our local origination and time resources may be better utilized. But in the public access, we see ourselves solely as a conduit, as a pipeline for people to communicate with each other.

A PARTICIPANT: (Distortion on tape - participant does not speak into microphone - text lost)

MR. SMITH: I think that would be helpful. Would you two just briefly explain one, open channel, and two, the alternate media centers. That is what your question is?

THE PARTICIPANT: Yes.

MR. SMITH: Yes, O.K.

MRS. SKLOVER: Well, the way I would describe open channel is really an organization that I started in 1971 after personally having been very actively involved in trying to make sure that as Cable throughout this country, that there really were channels allocated for - not just public use but education or whatever. And I felt that the next step, after getting the roadway as I described before, was to really make sure that we found a way to help the society at large understand what this could mean to them and help the society at large to develop the necessary support structures to make public access real. And that is what open channel really is about.

Part of our services are going to and helping groups to create programs for the public access channels in Manhatten. That seems to be what people know about the most and I guess it really has to do with the name that is endemic to us, open channel - well, the assumption that it is only programming. The way we do programming, though, I think is somewhat different than the way we have been talking about half-inch here. We only use the half-inch video equipment. I will be honest with you; we would use band-aids. The reason we use half-inch is because it is cheap and part of what we are trying to really help people understand is that you can create television with cheaper equipment but you don't have to duplicate the present broadcast structure in order to make television.

But what we are also trying to do and we have really and this is a decision that we have made and it has been on the basis of assessing a need - we have found that most groups when they want to make use of public access or when they want to make television -

quite honestly want to be on television in the way they have seen Walter Cronkite on television. They really want this kind of vision of themselves and we feel as brokers if you will or as people who are really trying to institutionalize the concept of public access, that we had to find a way to provide this service for the different community groups and institutions that have come to us for assistance and the way we have been able to do it is quite amazing.

We have - I think our council now is about two fifty - we have people from the industry, professionals, producers, photographers, cameramen, soundmen, people who really know the tools of the trade. I mean people who learned their craft creating television, who are willing to give some of their time for free to help groups who want to make use of the public access channels. So in this sense, if you will, we act as the coordinator or the broker.

When a group comes to us, we try to help them to decide how they would like to make use of public access, again trying to help them to understand their more creative uses. It obviously is not talking about - sitting "talking heads" as we say in the trade - but really showing what you do. For instance, if we - were talking about gospel before - a black church group would come to us in terms of making it into public access. And their assumption was that the only way I could use something like this was to come and sit in front of the camera and there would be really no other way for them to have access. And we discussed with them and told them the kinds of service that we could make available to them would be for professionals to come in and actually make a tape for them of the service.

And we felt and we advised them and it was up to them to take the advice or not. But we felt that this would be a much more exciting, stimulating way to use the medium to convey about what they are trying to do, about what they are excited about, about what happens in their church and why it matters to them.

Now what we do in that instance is that we go and we make the tape for the group. As I say these talented professionals will make the tape. The group then has the right to edit in any way that they want or to alter or to say that they do not want this to go on. They have that kind of control. If you will, we are trying to be their skills. We are trying to be the tools they are not. Now there is no question that this is another step.

This is not all we are doing. We are not just sort of an advertising agency for the community. I would say though that in a way that is one of our functions. We are also trying to help that group to understand what public access can mean to them. Why people are important, why more people within that structure of that particular church should be gaining the skills to be able to make use of it on their own? Our goal is for groups to be able to make use of it on their own. But we feel that unless there is first giving people what they want, unless you are able to give them the kind of television they want at this point, it won't work. There are other, I think, really important talents if you will or skills, such as really going and trying to advise cities, cultural institutions how indeed they can make use of public access. How they can set it into their own structure to be able to make use of something like the public access through an educational channel.

We have now created a division at Open Channel which we call our educational project division. This has been working exclusively with the schools. What we do there is to run teachers' institutes on an on-going basis. We work directly in the school system. Again, we really try and supply all that is necessary. We try and advise them in terms of purchasing the right kind of equipment, portable, cheaper lighter equipment. But, then, we also help work with the teachers on an on-going basis so that they learn to implement the use of this equipment into their classrooms. So what we really are is like an applicant for public access. We are a source of information about it and we are available in terms of our services to everything from a level of community group to a city.

MRS. BURNS: O.K., well we have a somewhat different approach. The approach as I expressed earlier that we are not very interested in perpetuating television so our feeling is that the profession as we know the professional is not really where we want to place our particular interest. We are much more concerned with, have you learned how to learn? We are much more concerned with another use of Cable which is that it is a new technology that is available. There is that multiplicity of channels. We are not dealing with scarcity any more. People have never really had access before and very few of us understand what that means. What we are trying to do is to begin to find what it is so we pose a series of questions. The questions are to ourselves.

We started a year and a half ago and we started by making programs for people. We felt that this was a very important thing to do. We discovered that what happened was that people really quite liked to have this happen and we felt very strongly that this was not really going to change very much of anything. And we felt that we were trying to compete with half-inch black and white to television very much in the same way that local program originators try to compete with national or network or whatever programming.

So, how do you now create a new kind of medium? How do you now develop something that is really participatory?

And we act more as a catalyst. We don't tell people what to do. What happens is that we encourage people to go out and shoot tape. When a tape comes back, everybody looks at the tape, talks about the tape. Did the tape really express the kind of thing that they wanted to do? And what happens is that the people in the workshop - not us - start throwing around the idea of what it is like to assemble information.

I can give you one example which I guess is probably the best way to describe it. I was in Reading one evening when there was a workshop and somebody had come in with a tape. The tape described something about a development. Some builder had picked up some land on the side of the mountain and somebody from the workshop had gone up to see what was going on. There was controversy in the town as to whether it was going to destroy a natural paradise, and as to what kind of things were going to happen. He came back to the workshop and he said, I made a terrible mistake today. We asked him why and he said because what he should have really done is that he should have presented it from everybody's point of view. He should have gone out to find out how everybody felt and we asked him why and he said because that is the way it should be done.

Well he, as well as all of us, is conditioned by CBS reporters and D. C. white paper and you are supposed to have this objective myth that says you can conceivably put everybody's point of view in. We threw out the possibility that the camera was six pounds, that he had his own thoughts about how he felt about it and what were those possibilities of his exploration of that. We were then very quiet and for two hours the workshop now themselves began to throw around what is information? What is it that this is all about?

They came to their own conclusions. They began to talk themselves about the subjective use of the medium. How could they express and at the same time they expressed the development of their own ideas. Did their heads get turned around when they began to explore it? What was involved with collecting information? How did you go about doing it? And people began to share with each other their own experiences. That demonstrates for us a kind of - really, I guess it is a learning which is that they begin to tackle the problems of dealing with how difficult it is indeed to present information. Not to make it so long and draggy and dreary, but again how do you sort of let it flow and how can people begin to express that so that all the workshops, the concepts at the moment, are really based on the question of cable? What is it? What kinds of things do people think they want to do? This is a half-inch portopack. It takes fifteen minutes to learn how to use it. Take it and play with it and then out of that the people in the workshop now begin to discuss the tape. That becomes the catalyst to the discussion and then the discussion goes on and it really then generates out of that particular group.

So every place, every workshop is entirely different. In New York City, for example, where we just have been involved with Sterling in opening an access facility, the demands have been crazy. There have been something like over a hundred and eighty people in the first month that came for classes that were trainees and we stopped after a month and we said, Hey, we're not running a factory. How do we deal with this? And what we decided to do was to take - and the people who are teaching are all volunteers - they are a group of volunteers who are a group of people in the community who are just coming in and giving time. What happens is that as the classes are developed, those people who are teaching the classes who, in fact, were taught by somebody else and it becomes an each one teach one. Now begin to follow through with people who are shooting tapes. It becomes a thing of bringing the tapes back and looking at tapes and talking about tapes and not to run a number of things about how many people.

So people will accuse us undoubtedly at one point of saying how much material was produced? How much went on the Cable? And that is not really what it is about. It is how do you start to begin to get people connected - that a definition can be of that medium. We don't know what it is and I don't think anybody else does. But I think that if we can find a way of opening it up, of letting people participate from the beginning and not just making programs, again it is not what we see it as being about. How does this happen?

So we are just at the very, very early stages and I don't purport in any way to tell you that we have found the answer, for we haven't. We have found a beginning. We like the concept. It sits very comfortably with us. It sits very comfortably with people. We don't come in as experts. As a matter of fact, we attempt to de-mystify the experts. I don't know who the expert is. I don't know that somebody knows more about how to present information than anybody else does. Maybe people do but it will find its level. But the workshop decides among itself how they are going to deal with that. And that's - I don't know what else to say about it.

MR. SMITH: I would be very curious to know how Hank Pearson deals with these two thorns in his side.

MR. PEARSON: Actually, they are very comfortable, as Red said, to work with.

Now to take that one step further, I suppose, to utilize the public access channel requires only that you file an application with the system that can either be in New York . . . TelePrompTer or the Sterling System. There are the minimal number of guidelines that are drawn up by the City of New York, Sterling and TelePrompTer that are supposed to determine more or less - well, I guess, they sort of act as a protective thing for the systems operator. Actually we probably pay practically no attention to them. For example, when we originally started this thing, we were supposed to review tapes that were to go on. Which meant, of course, that now we are doing somewhere close to eighty hours a week which would have become an impossible task. Therefore, I don't review anything that goes on. I have no idea, as I think was said earlier, about the content of a particular program.

The person files an application with us. The application spells out what they want to do, when, the time, the amount of time they want, whether or not they are going to provide us with a tape or film or whether or not they want us to tape what they are going to do.

After this determination is made, we schedule it into the programming as close to, if not, on the exact hour or time that they want. That is really about all there is to it. We make absolutely no determination as to content or when or where or who uses the facility.

MR. SMITH: Let us hear from the lady over here.

A PARTICIPANT: Well, I am Mrs. Campbell and I am with (words lost) in Washington and I have been (words lost) with public television since 1957.

I have the same feeling today that I had so many times. (distortion on tape) For a long, long time, we in educational television patted ourselves on the back that we were presenting (words lost) that was going to be good for the community and we just complimented ourselves (words lost). We did programs that were going to do good for the community and with all the buttons, (words lost) before we even get into Cable (words lost). We never until the last few years, considered how many people were looking at us. Now when we talk about public access, we are talking about (words lost).

I want to know what plans are we making for the people who are not (words lost) to turn this one and hear what the expression is and if it isn't worth anything to anybody in the community - if there is no effort being made to find out who is going to turn this thing on - why don't we just do it as an exercise which I firmly believe (words lost) people understand what it means to resent information. I am all for this because I think perhaps that if we can do more of this, we won't have (words lost) who are not (words lost) with what they are getting on commercial television.

So I am FOR this whole business of helping people to understand what it takes to inform people by television. But I also feel that we, the groups that come in and have public access, ought to take some responsibility for seeing to it that somebody turns on the program when (words lost) and that some effort is made (words lost) to get some kind of feedback on (words lost) what public access is actually doing within the community that (words lost).

MR. SMITH: I think Howard Gustant should respond in part to that question because I think some of what we were talking about directly answers what the lady was saying. Howard.

MR. GUSTANT: Well, I was one of a number of (this participant speaks very low and not into the microphone - most of the text is lost) - and the overall consensus to most of the group using the channel was that there was not adequate feedback. That both the elementary design system - the penetration and the possibility of local origination without (words lost) were prohibitive for a real feedback and a real process through that system.

This summer we worked with the majority of independent resources, both TelePrompTer and Sterling which are two cable corporations in Manhatten designing (words lost) which was conceived essentially as (words lost) to try and utilize for (words lost). The public access channel and the concept that most directly relates to what has been talked about was that the public access channels themselves were not adequate because of both the design of the system and the artificial first-come, first-served basis combined with that system for low penetration.

For any real communications between the subscriber audience and those people in programming (words lost) - we organized a collective effort which in today's (words lost) for all these independent media resources, cultural, educational, service institutions, both cable corporation and individuals in specific communities. We create this event. Now what we did do, if there were two channels on the system (words lost) first-come, first-served basis (words lost) Channel D which was then used very, very little we used as what we call a feedback channel. We set up what can be best described as a net of viewing centers or access centers with each individual media resource alternate media, open channel, (words lost) worked in a specific situation.

These situations varied from Bellevue Hospital which had a closed circuit system to (words lost) that had never been used, had never been used and there were no plans to use them. Now this a good example of the resources that (words lost) library systems, museum of the City of New York, several apartment complexes, a church and a woman's center. All cable companies cooperated in making (words lost) under the general guidelines of the city that institutions or public service places should be wired. And this represents the whole strategy of relation to low penetration in communities that it would be too expensive for a cable operator to wire (words lost) to get those people involved in public access.

I don't want to go on too much longer but we did use phones on which people were able to call in as subscribers or as people who were trained in the (words lost) and these phones (words lost) as a matter of fact. I think TelePrompTer is still using those phones and they have proved to be quite successful in their chess programs.

(General discussion)

- which really creates the point to point (words lost) for anybody (words lost) for anybody else on that system. I could call up and hear my voice through the Cable and other people could hear what I had to say and comment back into that studio and I could understand. In other words, we had two-way communication. There was a lot of talk about interactive and two-way (words lost) - it has been done and it is possible but - overall what I want to say there are so many conditions between - that are important to consider about really turning on public access channels and making them viable, economically and technologically so people can really use them that it is not a simple relationship of community programming half-inch video or cable channel.

There really has to be a total evaluation of the resources that could be used and really experiment with them. I think I will stop there.

A PANELIST: Well, I would like to say something if Howard will go along with me. I don't know what conclusions they have come to as a result of this access celebration. They are doing a report that is supposed to combine all the information they have. If Howard is willing, I will see that we underwrite the cost of it so that anyone here that would like a copy of it may have it. This is, of course, with their permission since it is their report.

A PARTICIPANT: . . . coming out as something under the Public Access Information Resources. This is not an institutional organization. It is just an open-ended organization. That is to say, the success of this event was predicated on collective and cooperative efforts between industry, the cable industry, institutions and the independent community.

MR. SMITH: There is just one point that I would like to add to it and that is that obviously there are at least two functions for public access as distinguished from the channel that the operator himself programs and this is a distinction that you really have to bear in mind. One of them hasn't been touched on at all. One function that seems absolutely essential to me is the right to access whether anybody is listening or not and I think that should always be remembered.

The First Amendment, it seems to me, becomes a much more potent consideration when the scarcity of channels has been eliminated. Whether or not the guy can gather an audience is no consideration as to whether he can stand on his street corner and hand out a leaflet. Whether or not anybody reads it or not is another consideration. Now I think that this is an essential feature of it.

And then the other feature are the problems of community communcation and who is listening and things like that but there is also a function independent which (words lost) that certain persons probably have a right.

A PANELIST: I agree with that. I think a really constructive way to put it is that no one really knows what the audience is - (voice drops down - rest of text lost).

MR. SMITH: That's right - it's all such a beginning, this whole thing is such a beginning. We all know that.

A PARTICIPANT: Ralph, let us just take as an example this audience. You have noticed that (words lost) hands been held up wanting to participate.

MR. SMITH: That's right.

SAME PARTICIPANT: You know it can't even be done here. So what is the magic about this public access using Cable. It can't even be done in a room this size - interactive discussion.

MRS. BURNS: Just a minute. I think that you have just hit on something that is very true, very real - I think there are a few things implicit in what you are saying too. I would say that when we first started this morning, not that many people really had hands up, that out of this stimulation of this discussion, and the outpouring of information, people have become excited and people do want to participate. And I think the next thing is that if you really do feel - oh no, I really do feel - but more important is that what you are saying in terms of how we can make it happen.

In other words if there are that many people in society that want to be heard how can we really make sure that happens? Or how can we even begin to help people understand that more information can come over television than does?

MRS. SKLOVER: The fact that it can happen doesn't mean that you shouldn't encourage it.

MRS. BURNS: No, no, no! But you see something can happen that is different and that is that you don't have to have television the way it is now. I mean obviously, I think, that you can see as we have been talking more and more it has become clearer and clearer to me. I mean I used to be the one screaming freedom of speech, and I used to be the one always - as I say I actively lobbied for public access channels, but I think there is a reality that we have begun to deal with, too, which has a lot to do with what you are saying right now. But that does not in any way cut down on the fact that more people in the society could make use of television, that more institutions could be making much more creative use of it.

(Undecipherable comment from the audience)

Well, they don't always know that they need to and I think again that is a problem which I think came out beautifully here today which is that when people are "prodded" I mean when the information is presented, when you stimulate it, you have a very different response than if something over there - you know television - you know I am doing my thing and how can those two things in any way relate.

Let me just - I must put this in because I think it is terribly important - don't forget the tried and true. I think I am more and more the spokesman of the conservative today in terms of how you build an audience. What we have been trying very hard to do is to really get in on what already exists in terms of structures. Everybody now, traditionally, in order to find out what is on television, looks in the newspapers.

Well, we have tried very hard and unsuccessfully, still at this point, to get listings for public access. It seems to me that if you are really talking about giving people a voice, it is when somebody knows that the voice is there. It should really be giving them the voice. We have been pushing very hard for those things. We feel that it is very imperative to get listings in newspapers.

We have also been - as a matter of fact another arm that we have really developed now is public information on the open channel and what we are trying to do here, too, is to go the tried and true route. It is something for press releases and there is something called contacting the press and giving them education. It is a shame but that is the way news comes out in our society. But it is true you give it to the people who write it and then they write it. So we are really trying to write the press releases and give them the information to get it out to the greater public. And this is something that we really do with our groups. We get them to send mailings to their own constituency. Howard was talking about new audiences. It is very true, but you have to help the group that is making use of it to get their audience and sometimes the old methods of reaching them are not so terrible.

MR. SMITH: This gentlemen - he has been waiting a long time.

A PARTICIPANT: Yes, my name is Alan Kulakow. I am representing the Kettering Foundation. It seems to me that everything has focused pretty much on public access - and the importance of . . .

There is another level, I think, a rather experienced level that perhaps many of you are not familiar with. I am not sure exactly how it relates to the cable world, and it is far more complicated. But I think it has some . . . to answer some of your questions. There was a project a couple of years ago called the Sound Coalition. The issue was the environment . . . and the local commercial station said well, look we got an audience here. We will contribute eighty thousand dollars and do a series of programs and the citizens organization said yes, we think there is an audience. So they went out and they pumped out a rather dramatic program called 1985 and they . . . yes, we are very interested - and everybody said it was a good idea . . . which was headed by a local environmental lawyer and he insisted that every single service and civic organization in the community plus every school system and every university . . . . . They set out to organize the community to establish an audience and after about three or four months, they had set up something like over four hundred viewing groups which represented about three or five thousand people in groups of twelve to fifteen, centered around the nucleus of a college or a university as a point of information.

If then one of the universities got some money for discussion material . . . they developed . . . system, a telephone system and it got much more expensive than any public access channel . . . But, any way, they . . . in small groups about once a week . . . and the magic was that they saw this happen on a television program which was, you know, sort of provincial . . . they had materials they had . . . people who knew about it and they sat and they discussed the issue.

Halfway through this eight-week series, the groups had already established ten action programs - population councils, legislative councils - when the series was over, they had established thirty programs. They went and . . . . - they created new information . . . We discovered that there was no evaluation . . . very hard to find an answer.

And then we discovered yes indeed, even though there were no blacks and there were no labor people in it because of . . . in the ghetto area, twenty-five per cent of the . . . were high school educated women because they were concerned about their kids and what pollution meant and there was very clear measurable . . . change.

It was very similar to a project which was maybe one-tenth of the cost over a period of three days in Milwaukee which organized ten thousand people. They included a very sophisticated evaluation.

I think there is great - . . . . . . and I think it suggests something to think about . . . . . . One important thing for the commercial aspect of it is that in the Puget Sound Program the interest was so high and they used all the crass emotional techniques. The citizen groups went out and they promoted it in the newspaper, on the street, or in the shopping centers. They had higher Nielson ratings on Sunday night than any network . . . . . . program. The captured twenty-five per cent of the entire viewing audience throughout the area and they have done this twice.

. . . . . . what you are concerned with is that if you organize multi- . . . . . . programs, (large portion of text lost) involved in community organization. It uses small groups with some discussion leader . . . . . . material and feedback . . . . . . people are developing their own - Eric Stevens now has produced a real effect (large portion of text lost).

It seems that it suggests something. That is because of the right to speak and the concern that we have that it would really be a community service and if somebody is interested in that because unfortunately you know this material is not available - I hope that it will be made available soon . . . . . . share with you whatever I can.

MR. SMITH: Let me have your name again?

MR. KULAKOW: Allan Kulakow - Kulakow.

MRS. BURNS: Where can we reach you?

MR. KULAKOW: Let me give you my home address.

(Comments from audience)

It's 8816 Hiddenville -

MRS. SKLOVER: It's not going to be hidden anymore. (laughter)

MR. KULAKOW: Hiddenville Lane, 20854, Potomac. My group is the Charles Kettering Foundation Project.

(General discussion)

A PARTICIPANT: Speaks very low and not into microphone - text is lost.

(General discussion)

MR. KULAKOW: Yes, the trouble with this is that they don't have copies of the evaluation . . .

ANOTHER PARTICIPANT: You might mention that it was very much in support of the National Council of Churches and other groups that helped create . . . . . .

A PARTICIPANT: What happened to the environment - that's what I would like to know?

(laughter - general discussion)

MR. KULAKOW: (speaks low with much background noise - first part of text lost) The citizens created a water resource which is now a multi-million dollar thing . . . . . . big population problems in the area. There were some very interesting models that were created that involved black communities, Chicano communities . . . . . . were created very simply by these people during . . . . . . and one of the unfortunate things of our time is that . . . . . .

A PARTICIPANT: My name is Victor Margolin and I live here in Washington . . . . . . with the Agency of International Development developing some prototypes of ways to use for . . . . . . school developing . . . . . . I have had a chance to study lots of communication experiments that have been going on all over the world and I have worked in television and you know I have found . . . . . . I think that all of them are way ahead of us in terms of looking at the communications process as a total picture. We have been broadcasting oriented here. Listening here today, it seems that, you know, everybody is receiving a revelation that there is more to communications than broadcasting. There are many people in the world that knew this many years ago and have been acting on those assumptions. For example, in India, just a few years ago, there was a massive . . . . . . called the . . . . . . Radio . . . . . . and this involved getting information about the new agricultural techniques out to farmers all over India and it started as a "pilot process" in the . . . . . . district of India. And they developed the concept of listening groups, listening groups that were radio groups.

There was a tremendous community organization network with coordinators and more effort was put into that than into the program information structure. And there were leaders in every group and they were all after the broadcast which was once a week on the community receivers. The groups were like ten to fifteen people. The leader of that group, the moderator, sent a report back to the center. People were encouraged to - a feedback mechanism was developed - it was, I will have to use the work primitive because we are talking about a country with very few telephone lines and we have the luxury . . . . . . more than almost any country in the world but the kind of communications network we have we are doing less.

Other countries are doing much more with no telephone lines. They had to send letters back and the letters were read over the air and the point of it was that there have been communications networks set up where people in isolated villages were able to hear what is happening in other villages but it didn't happen without organization.

I also had a chance to do a paper on Sesame Street, on the production, and, you know, ... But they have an evaluation coordinator, Earl Davis, who spends all her time, you know, developing . . . . . . centers of twelve or fifteen community - you know study of people in major cities around the country who do nothing but organize viewing groups and I could go on and on. (portion of text lost)

The workshop is the only place I found in the States . . . . . . there is a lot of it I don't know that we really had recognized the importance of the . . . . . . components in broadcasting as well as the . . . . . . which is another story and the thing that the value of Sesame Street as a program but just that they understand that people don't automatically - we can watch -

A PARTICIPANT: . . . . . . really . . . . . . the implications for a multi-channel system . . . . . .

MR. MARGOLIN: Yes, I guess the response is that I have been a little bothered by some of the discussion and it seems that there is a kind of indulgence about, you know, giving people access and letting them make the programs and that's it. I mean really that is just a fraction of the whole concept of communication. You know not just self-expression for . . . . . . I am not saying that you have to direct it to political change or anything but there has to be some meaning in terms of a closed route. You know as they say about somebody making the message, somebody receiving the message, something happening because of it - now the degree to which that is organized (part of text lost).

The main point that I wanted to make is that - and I was really inspired to say this because of your remarks - but . . . . . . is something that I have come to understand through my research in that utilization is as or more important than the program. We have to get away from being broadcast oriented . . . . . . the community groups, ... broadcast oriented, you know, they pay good money there, you know. I don't know the whole story, you know, - I only pick it up from . . . . . . - it is the same philosophy - NBC makes a tape, Rain Dance makes tapes, you know and obviously half-inch is . . . . . . and so I will stop there but I just wanted to interject this need to think more in terms of the utilization and not to stop with the program on the cable - I mean that is really -

MRS. BURNS: I am sure that we agree with you. But I think that the utilization also is going to come from the people who are involved in making the programs. And I think it goes in stations, it goes in steps before people can begin to deal with the utilization. They have to begin to get their heads together and see what it is that they are trying to do. And I don't mean in any way to suggest in terms of the workshop that it stops there to get it out and I am glad that you brought it up because obviously I didn't make that point but there - it is very much a part of that which is to continue on and - sorry -

MR. SMITH: How about on the panel?

MR. DUGANS: I just wanted to inject this. In Flint there aren't any community groups together or workshops or anything such as this. Citizens get involved in Flint; they know - well O.K. - they realize that I am there so they utilize me in order to say something.

For instance, in early Spring, there was a neighborhood home owners' group. This subdivision was built and they were having tremendous problems. Water was about four feet deep in the backyards, you know. It looked like a lake back there; you really had to have a rowboat. Oh, this damned project was out of sight, you know, this development. So the homeowners had this little organization, their homeowners organization and they couldn't get anything done about it. Down at City Hall, they talked to the builders and they kept getting the runaround. So finally they decided to get in touch with me to see if I could come and help them, you know, do something to present their plight to the community. All right. I did. I went out. I talked to the participants and we took our camera out. We went into those people's homes; we filmed the backyards; we filmed the back steps where the steps were just coming loose from the house, and all this bit. There were holes three feet deep that just came up out of the earth and little kids always falling down in them. Now because of this, this group wanting something done about their situation, they were able to get just about everything corrected out there.

The builders saw this program. Everyone else in Flint saw this program, so you know a lot of flack started coming towards the builder. So he took care of things. And you know, maybe this wasn't . . . . . . but involvement of community involvement - I think this is one of the main purposes that public access local origination programs can be made good use of.

MR. SMITH: "John" -

MR. GAULT: Yes, I wanted to make a comment to what the lady said from the educational session and this other gentlemen over here. And I was extremely remiss before in talking about what a cable television system operator can provide and what he should provide. I hit only on the fact that we should be a conduit and there is a very critical thing that we can and do provide and will continue to provide in the future: technology.

The technology of having a broadcast station, if you will, Channel 3 in Philadelphia for it to devote time to public access to the commercial broadcast station is extremely difficult for Channel 26 . . . . . . it only has so many hours in its broadcast day - within that viewing scope we should . . . . . . twenty television systems - Channel 3 in Philadelphia has about sixty cable television systems I think in the viewing area so that at any one time sixty different - we start getting into the numbers game . . . . . . said it is not possible to have an interactive discussion in this group. Our technology can make interactive participation possible, whether or not working working together with groups and people. Whether interactive participation and real interactive participation becomes a reality is something that needs to be determined in the future.

We, however, can provide the technology to do this by having not only Cable television systems that have the time . . . . . . to provide one or two channels of public access if that becomes required. But, in addition to that, with the new designs of two-way interactive systems, we can provide multi-hubbed distribution systems that can provide access on a neighborhood basis if you will.

So that true interactive participation is conceivable and practical. The question is whether or not we do it or not. So I wanted to bring that up as a technology exists and is being engineered into the systems that are being created today to make that possible.

MR. SMITH: Thea?

MRS. SKLOVER: I just wanted to say to the gentlemen over there that if I haven't been saying that today, then I haven't been communicating. Because it is the very thing that I have been trying to communicate.

I would like to share with you one experiment that we tried with a group in Manhattan and this ties into the idea of using intermedia. The two-way technology which you are talking about is potential and unfortunately, it is not really operable as yet. And what we are really trying to do is to help again the society to maybe be a little ready for that two-way technology when it does come into being. So we enlisted a local radio station

A local citizens group, a tenants' association, from a middle class group came to us and they had the usual -

MR. GAULT: Please, it is not so about the two-way tape. I would love to let you continue. We had better rip down a million dollars worth of equipment that is operating today if it is not operable. There are SOME two-way systems that are operating today with both two-way audio and video capability as well as interactive capability. They are test operations where they exist but ours is operable as are some others operable today. Most of the systems being designed for the new systems - if Cable Television Systems now compromise about nine or ten per cent of the viewing public, I have seen no new Cable Television systems design that did not have two-way capability built into the system's design.

MRS. SKLOVER: Oh! I didn't mean to say the capability isn't there. I am talking about the systems that are operable. I don't know of anyone at this point other than for some advertising but - fine - I am not saying that it shouldn't be. I am hoping very much that it does come into being. I'd love it to be here now. I wish it were operational on every cable system that is presently in operation in the country.

But to get back to the point. What we try to do is to help this group make use of the present technology in some sort of feedback capacity. So we enlisted a local radio station, well, to assist us. And we organized meetings in a variety of tenants' houses throughout this particular housing complex and had the tenants . . . . . . supposedly the representatives of this constituency get on the local radio show and talk about the problems of crime in terms of that particular area and some of the possible solutions.

Now what they had really come to us about was that they had lost touch with their constituency. They were the leadership and supposedly trying to do something about crime in this particular area and yet they no longer found people coming to meetings. They no longer knew where their constituency was which I think is a very typical problem today in our society. I think a lot of people feel as you do. Nothing really does any good any more so why bother. Well, something implicitly like that but - by using the radio to reach a larger audience at this point and then by having these organized discussions afterwards, where we had supplied individual - it was just really two people to each apartment with a portopack and . . . . to do lighting and we taped the discussion and used that as a feedback mechanism to the leaders who really had lost touch with their constituency.

Then they had an opportunity to feel the results in terms of how their constituency hearing the possible solutions really in discussions in a variety of departments felt about the possible solutions. And it really helped to develop what you have heard talked about a lot which is more of a consensus in terms of decision-making. This is all possible and certainly the two-way capability will make this very, very much more possible.

A PARTICIPANT: I am Arnold Klein of Public Access Information Resources.

MR. SMITH: What is your name - I am sorry.

A PARTICIPANT: Arnold Klein.

MR. SMITH: Thank you.

MR. KLEIN: Howard just a little while ago described a very large scale interactive system that was set up in the community . . . . . . New York. It involved the Cable Systems, ... like . . . . . . Radio and live telecasts by microwave lengths from Central Park for two successive days. It evolved and was generated from a series of public access meetings that . . . . . . community organizations, individuals . . . . . . These meetings are still going on. (Mr. Klein does not use microphone and much of his text is lost) We have another meeting next Tuesday, to see what we have to do next. . . . . . . just talked over an idea if it could be arranged . . . . . . interest of course, of maybe going into the details of the public access. . . . . . which involved . . . . . . library systems, two hospitals . . . . . . community sectors, a church, apartment houses - seventeen viewing centers that were set up. We also have a tape of the celebration with us . . . . . . now if there was equipment available, we could show it.

MR. SMITH: I think we could probably arrange to have that shown in general. I know you have been into a very ramified program area and people, especially from other cities, also the City Council people are interested in this. They might really do well to talk with you - there he is and you can . . . . . . at the cocktail hour if there is no other time.

MR. KLEIN: (Did not use microphone - text lost)

MR. SMITH: Are you going to be here for all three days?

MR. KLEIN: Yes.

MR. SMITH: Now let us see. Is there anyone who hasn't had a chance. There is one.

A PARTICIPANT: I would like to ask a specific question that would maybe have fit in earlier when it was touched on; . . . . . . that is about money.

In the beginning, we were talking about the Reading experiment. I heard two different things. John, you were talking about . . . . . . of it being self-sustaining and I have also heard you say that you have been pumping a lot of money into it without any return up to this point. Mrs. Sklover, you talked about . . . . . . you rejected that . . . . . . and I would like to hear some more discussion about this. New York is a very special place. There are a lot of foundations right around the corner and everybody looks at it and there are a lot of places across the country that are not as well blessed.

MR. GAULT: I think I can clear that up, Dick. I used the wrong word, self-perpetuating.

(General discussion between the two speakers)

MR. SMITH: . . . . . . across the panel and ask them what they think about how this ought to be financed, number one. And, number two, I suppose that they should distinguish between the operators channel and public access, because they obviously present a different financial problem. Starting with the operator himself, do you want to add anything to what you have said?

MR. GAULT: Well, you talked about the operators making commitments to help finance this thing and I think that we should continue to do so and I think that the citizenry in those areas where cable television is going to come in should be looking very closely at what is promised. The FCC has tried to begin to delineate some rules and regulations as far as what a cable television operator is supposed to make available on it.

So I think financing should come in part from the Cable Television Operators commitment of resources to public access and that hopefully there is going to come a point in time - which is why I possibly had said self-sustaining before - when a community will be able to support an activity like this for itself. I just don't happento see it in the near future as being a terribly practically -

MR. SMITH: You don't see the money. Is that what you are saying?

MR. GAULT: I don't see the money directly coming out of the community yet and we haven't gone on public access for funding because we have been able to handle that without any dramatics, though the money we spent seems like a lot of money, without any dramatic expenditures overall for the facility.

MR. SMITH: Do you see any money, Thea?

MRS. SKLOVER: Well, it is tried and true what I have said. And I will just say it again that I think it is fantastic that you are willing to support public access and I hope that you always continue to be the person to control the purse strings for your particular cable operation because at some future date there may be somebody else there and I don't know if that person is going to make the same kind of commitment.

MR. GAULT: I am not the person who controls the purse strings.

MRS. SKLOVER: Well, the point I am making is obviously that there is on the part of cable operators, I think, at this point an obvious reason to support public access which I think is fantastic and I think we should do everyting to make sure it continues.

However, I am also trying to say let us be practical and let us project ahead. Let us go five years, ten years, fifteen years, twenty years, twenty-five years when there are other uses and other ways that cable operators are going to be able to make income. And I come back to what I was saying previously that I feel that if public access is going to be carried over the Cable - if public access is indeed something that we are committed to, that we say is important - we care enough to create this roadway. I think we have to care enough to go the next step and that is to create a funding structure. I point again to the corporation for public broadcasting. As we said, they have to go back to Congress every year for its appropriation and it is always at the mercy of our political structure in that given year in terms of getting refunded.

I point again to our attempts to put taxes on television to feedback to support public television. I point again to all the public attempts we have made to support public forms of television and we have never been successful. And so again I say that I think the only chance we really have in the long run is to make sure written into local franchise agreements either on the state level or from the local level is a tax whereby funds are made available for public access funds which will then create ample training facilities, experiments, public relations, public information efforts, etc., all that is required to make this work.

I cite something like the New York State Council of the Arts which I have been involved with in the way that they have been able to take the public money from the State and set up ways to appropriate these funds.

I think we can come up with very innovative structures in terms of how then the money would be given out. One of the things people usually say to me when I say well if you have a funding structure - well, then, they say how do you determine who gets the money? I think we could figure out ways indeed to decide how indeed people are then going to get the funds for the public access channel. But I think our first very strong commitment, if we are serious about public access, is to build in a funding structure because I again say I don't really see how it is going to live very long without it.

MR. SMITH: Doyle, I know that you have already told us a good deal but would you like to -

MR. DUGANS: I know that General Electric is doing a little bit in that area. They, whenever they have a franchise, they set up a local non-profit group to handle this problem. They will, you know, donate so much money. It is an ongoing thing. Money stays right there in the community and they are able to continue doing their work this way. They donate so much to get it started and then it is an ongoing thing. Mr. Holt, he is from G. E., maybe you can add a little more to that.

MR. HOLT: Well, I don't know exactly what you mean. We do have groups in each system that - from the city - that control the public access - is that what you are talking about? And Mr. Dugans is employed by General Electric as a programmer to study minority groups and I don't know what else there is to add.

MR. SMITH: The general subject is how is public access or Cable to be financed? Where would the money come from?

MR. DUGANS: I was suggesting to them about - O.K., the way G. E. does it - you know the non-profit corporations, and money being donated to get it started in the community -

MR. HOLT: That's right. We do that.

MR. DUGANS: I would rather see this than the - than to have the cable operators taxed you know - going through all that bit -

(General discussion)

MR. PEARSON: Unfortunately, I don't think there is an easy answer to it. You examine the foundations and, of course, foundation money is available in direct relationship to the tax dollars that they can get. If it is a bad taxable year, then there is no foundation money and you are in trouble. If it is a system operator, I think Thea raised a good question that this operator may have a real empathy for what you are trying to do. But if ten years from now this system has been sold to possibly a multi-system operator, another operator, his sympathies may not be of the same nature, so you lose his support.

If the municipality supports this thing, does it then become dominated by the municipality?

So I don't know. I really have no idea really where - possibly a combination of all of these must ultimately be the support. Mnay people in New York have advocated, have projected the fact that probably the City of New York should utilize some of the tax dollars that they extract from the systems' operators to support public access. Whether or not that is a good plan or not has to be evaluated and there are some questionable things about it.

So I honestly don't know who should support it. I don't know where the money should come from and I think it is a good question and that must be examined.

MRS. BURNS: I think that we don't yet know where all those sources are going to be. Certainly the initial beginnings of cable systems that are willing to support and create a facility for people to use - I think that if that facility grows in the community, the community really gets itself involved and gets together - I think it should be left up to the community - after a period of time, to find its own local funding sources to sustain itself. And I think that the role of the Cable operator should be the initial seed. Herb Dordick is at the back. I heard him say yesterday that there was a possiblity or a thought of charging for public access. I am absolutely abhorred by that. (laughter) I hope that nobody thinks anymore about it. (laughter) And I think if you want to be "responsive to the deed" you have got to know that, Herb (laughter) -

(General discussion)

MR. SMITH: . . . . . . has been waiting all morning - yes?

A PARTICIPANT: . . . . . . of Dayton, Ohio - I am with "Consortium of Colleges" and I have . . . . . . the suggestion . . . . . . and other types of resources which have been isolated on the compuses for all too long.

Another thing, in community programming, we have been talking about the community as the only place where we can go to get resources. (text lost - coughing of panelist drowns out voice of participant) - because it can get ideas out into the community that they wish to have put out on a larger basis. And the colleges have students that are interested in communications. You have colleges who are trying to enter the community to work with the community to try and identify those interests.

Also there is funding available for this type of thing in educational circles. We just recently wrote a program . . . . . . the Higher Education Act which a community service program - money is dumped out to the State - it is . . . . . . for disadvantaged economic groups, minority groups, ethnic groups, handicapped - you know elderly - environmental impact questions - I haven't heard any of this mentioned. And one of the problems that I think we have had is that we are all again into this impact. We want to have this to ourselves. We don't see the opportunity to cooperate with other people who may not have the same specific interest that we do but have the same general interest that we do.

You know if you sit down and quit calling each other names at the opening and find out what it is you can do, why you could get the thing together very nicely. Now, Dayton doesn't have the disadvantages that some of you have who already have cable franchises . . . . . . and our city . . . . . . we think that taking somewhat of an enlightened position into the three percent that they can . . . . . . is not going to go into the general revenue but it is going to go to promote and support the community access and to make sure that that thing is regulated.

Also there is a possibility that the cable operator is going to be asked to consider a ten per cent part. To set up a non-profit corporation for community access in the very beginning which will be able to sell, you know, a little bit of advertising and hopefully will become self-supporting because of the value and use being made of that town.

So what I suppose I am suggesting is that you take a look at the resources in the entire community before you say, hey we can't get any money, hey we can't get any support, because that is not true.

MR. GAULT: Only because we only have three hours of time and only because it wasn't mentioned, and because it can touch in other areas we are doing things like that and I don't want to get into too many of them because our particular company happens to be in registration right now. So any statements about the plans of the company are a little bit - I am a little bit sensitive about them. But I can tell you that in several locations we are working with consortiums of colleges in specific locations for experiments on the interactive uses of television and applying for funds on that basis as well as a specific college in Pennsylvania where we are applying for, I think, it it "title three". I am not sure what the title is - grants on a two-way audio-video experiment so that many operators - now again it is not just us. I am sure TelePrompTer is doing these kinds of things, doing exactly what you are talking about and I think the only reason it wasn't mentioned is because you didn't get to it in the three hours.

MR. SMITH: I am going to have to cut in now. Please break for lunch at twelve. Buses will be waiting. I am very sorry because I am afraid that there were quite a few people who didn't get to speak. Thank you very much.

(applause)

WORKSHOP 4) NEW PATTERNS OF MINORITY PARTICIPATION

Charles Tate - Senior Research Staff, Urban Institute, Moderator

Richard Austin - President, Citizens Cable Corporation, Dayton

Ed Loyd - President, West Essex TV Company, Inc.

Bill Wright - National Coordinator, Black Efforts for Soul in Television

Tony Calderon - Executive Producer, Image Productions, Inc.

Mel Epstein - Director, Center for Community Economic Development

Jim Taylor - Watts Communications Bureau

MR. TATE: We are going to start this Workshop on New Patterns of Minority Participation. Ed Loyd, one of our panelists, is not here yet. I know he is here in McLean and I guess he will be coming in. I think we will just pick him up or he can pick up wherever we are when he comes in.

I am Charles Tate. I am with the Urban Institute in Washington and have been - my area of interest and work at the Urban Institute if field community development and black economic development - and I have been spending most of my time developing materials on Cable from a community perspective for about the last two years. The other panel members for this Workshop: to my left is Richard Austin who is President of Citizens Cable Corporation in Dayton, Ohio, which is a Black Community-based Cable Corporation.

Sitting next to him is Bill Wright, who is the National Coordinator for BEST, Black Efforts for Soul in Television.

To Bill's left is Tony Calderon. Tony is an Executive Producer with Image Productions and he has been very actively involved with working on the Chicano community and in many, many different aspects of media including the whole issue of certain kinds of commercials that project Chicanos in a very unfavorable light.

Sitting next to Tony is Mel Epstein who is with the Center for Community Development in Cambridge, Massachusetts. It is an organization involving doing research and being concerned with the whole area of community development.

And seated next to Mel is Jim Taylor who is the Director of The Mafundi Institute in Los Angeles who is actively; Mafundi is actively involved in seeking a cable television franchise in Los Angeles.

Now the short note that runs along with the program talks about blacks and other minorities participating in the ownership of cable systems and talks about present involvement in broadcast media. One of the things that I would like to mention at the outset is that we obviously do not have all of the minority groups represented which is a problem which nonetheless none of us has to take the responsibility for. There are no native Americans up here as you obviously see and there are no Puerto Ricans up here, I think it is important that we recognize that at the beginning so that however our discussion flows we take and keep those points under consideration.

To begin our discussion and to inject perhaps my own bias as moderator, I think that the issue of participation is a much broader issue than simply the ownership issue and that perhaps to some extent the note in the program reflects how the industry and how certain policies makers are thinking at least about minority participation and arriving at some kinds of definitions of their own about what that should be.

But I would like to begin this discussion and we have no particular structure that we have been asked to follow. I think we want to use the time as productively as we can. And obviously there are both policy issues and policy questions that we should get into and because of the background experience that the panel members have in specialized areas I think that we should also attempt to have some of that information transferred directly, as well as some discussion around that. And, of course, to also spend some time in talking about ownership specifically and what that is about and what kind of approaches and what kind of models, what kind of strategies people may see?

I am going to begin by going out to the panel for their general reaction on the issue of participation itself, the issue of minority participation and how they see that in terms of cable television and perhaps the media generally to some extent. Is it important, is it imperative and if so, what kind of framework can we begin to establish even dealing with the issue of participation so anyone who would like to deal with that can do so.

Now I would add that unless it becomes unmanageable that we can take questions or comments since we really want to have a discussion and not simply express ourselves as a group of experts.

MR. AUSTIN: Charles, even though I think my particular comments are such as to hope to limit them to specifics ------- in Dayton, I think your issue of inquiry is something that we all must be clear on that minority participation end in this newly evolving cable industry is a necessity. And I think it is something the black community is considering as a survival and that we have no control or real meaningful ownership in radio or TV or the print media. And Cable is developing and the cities are a fertile ground for the development of cable communications and the cities have been nicely left to minority groups, both urban poors and racial and ethnic minorities and involving them in these new developing systems is a must and an imperative.

MR. TATE: Mel?

MR. EPSTEIN: I guess I would - is this on or does it matter? - yeah - As Charles said I work up at Cambridge for the Center of Community Economic Development where we as a group deal with the whole range of community economics, economic development possibilities for community development corporations in minority groups. I have become particularly interested in Cable because I think it is one of the few areas that offers real possibilities, real economic possibilities, as opposed to so many of the fields that are entered into a field of economic development that really don't have the greatest economic potential that Cable does. This is so even though there is a mixed picture now in the regulatory climate. It is, from that point of view I think it is crucial that minority groups, , community development corporations "in all forms"........................

MR. TATE: Jim -

MR. TAYLOR: I am Jim Taylor and my comments are very brief. I think that it is very necessary and important that minorities own and participate in cable television because that is the only way you can control the programming, if you control the ownership.

A PANELIST: I think that - these lights go on and off (laughter) - you know that this is at least the second major conference on cable television. A Conference was held in January this year out in Dayton. About five hundred people participated and many of the people who were here - and I was struck - the panel out there was called emerging minorities - and the panel here is labeled new patterns of minority participation. I don't know whether that means that we have emerged but I don't want to belabor the issue.

Yet it seems to me that, you know, given that kind of treatment and major public kinds of conferences and assuming that the purpose of such a conference would be to address a major social or at least policy issues in the field of cable television that there is the issue of whether minority participation should be treated as a public policy issue, given our own position about participation. But, is there, you know, is there a public, a policy question as far as minority participation goes that we should address?

A PANELIST: And that takes us really to something more that I wanted to add on this question and the first question. Is one unique factor about economic development in cable television that .... some manufacturing plan - you don't need a franchise, from a local township - you don't require that kind of political bases Cable television requires some kind of political base in a local community. And I think that is the one, that is one of the assets that minority groups have. I think Cable is a way that translates that into, you know, an economic enterprise and I think that it is obviously an area that cuts across the public policy from the Federal, state and local levels which just isn't true of any other kind of, most of the other kinds of economic enterprises that are available.

MR. CALDERON: Before going into more deeply related involvement here, one of the things that I should point out is that the Chicano input into any type of television is a little more complicated and complex than perhaps the black involvement and this is because of the Spanish language media which is available. Certainly Cable TV offers a realistic and an almost reachable opportunity to involve Chicanos in production and in ownership but a lot of people already think that we own production companies and so on, and I think Image is the only one we own in the country.

What happens is that there is a Spanish language television station in the most highly concentrated communities where Chicanos or Puerto Ricans or Cubans live. Over eighty per cent of the programming comes from Mexico, so that means that Jo Garcia, Tony Calderon whoever, can never get the opportunity to learn production work unless we go to Mexico City. Also - anyway the climate is kind of bad - I am not going over there and neither are Chicanos in this country. The lack of involvement from the production standpoint and say from the acting or the models, or whatever, is also very, very bad.

What Chicanos have to do or begin to do is to establish their own type of production whether it be in music or television production or whatever. The major problem in what the Spanish language media provides the Chicano community is not only the lack of involvement in production and so on - it is also the fact that their influence is wrong in many aspects. Radio is popular with Chicanos; television is not. Spanish language television is not. I have the Neilson ratings for the Spanish language station in San Antonio, KWEX, and I think they average five per cent of the designated market. In San Antonio there are over 600,000 people and over half are Chicanos so - we definitely watch NBC, ABC and CBS -very few educational TV programs are popular with Chicanos, if any.

So that the people who are normally in control of the microphones, in control of radio, come from Mexico and they keep on harping on how beautiful Mexico is and Chicanos, most Chicanos, have never been to Mexico. They also deal into the advertising dollar. Say, for example, I am a big corporation. I go into San Antonio and even if I know that half the population is Chicano, I go in there and out of my advertising dollar I may give five cents to the Spanish television station and that's it. That takes care of the Chicanos supposedly. We are all supposed to be satisfied with that and we are all supposed to watch it of course and yet they know we don't.

The other ninety-five cents of the dollar goes to the regular television station. That is where the money is. We don't have that money. The image of the Chicano buying this language TV is, as you know, the wrong stereotype and as for regular news programs now, the contemporary image is bad. We don't even have commercials that would upset some of that bad image during the daily programming. So we kind of get shafted from both sides, both Spanish television and English language television.

MR. TATE: Tony, let me raise a question with you about what you have been saying and draw a relationship with the Cable. I seems to me that Cable is different from broadcast media. I think that everybody here is aware of that and that getting back to that you know, in broadcast media and what you have been saying is that there is a case to be made for minority participation in the broadcast media, because minorities have been excluded from participation in all of those different areas. But is that - this situation with Cable - is there - should the Cable even be made that way, given the fact that blacks, Chicano, Puerto Rican communities have the right and indeed the privilege to determine without appeal or apology or plea who is going to wire their community? At least some, they can make some determination about whether or not they are going to be willing to accept services from certain kinds of suppliers or cable operators so that given those differences, is there a case to be made, a policy case to be made for minority participation in Cable?

MR. AUSTIN: Charles, may I take the - the real question that you are asking is this minority participation a matter of public policy or public policy issue and I say the answer to that is if the FCC did not include it in the Federal rules as being a national policy that minorities might be .... From the Federal level, it was left to the local municipalities to determine whether this in fact would be a policy issue in determining the granting of the franchise. So I think that the decision would be whether the community would make it a policy issue or whether the various minorities located in the communities would try to develop the type of political clout and influence in order that the development of franchise ordinances, be they State issued ordinances or local municipality issued ordinances, that these documents encompass some information or some policy statement concerning minority participation?

And to be specific, in my city in Dayton, we lobbied so that in the request for proposal for the cable franchise we made it a definite certainty that the city government requires minority ownership as one of the points to be considered in granting the franchise. Not access to channels or not the availability of channels but ownership, and this is one of the evaluation points that the proposed applicants will be judged on. You can do the same in your communities where there are high concentrations of various minorities be they urban, be they racial or ethnic minorities.

I think that it can become a policy issue but in Maine I don't think that they - in upstate Maine, a minority participation isn't going to be a policy issue at the granting of the franchise where you have no distinguishable minorities, but in San Antonio I would think that it definitely should be a policy issue.

MR. CALDERON: Of course I agree with you. Now, what Chicanos have done is benefit from the experience or from the bad luck in having broadcast media involvements. The FCC rule about this and the involvement of minorities to a degree has been around for a long long time and it was really challenged as far as the broadcast people only recently. Yes, as I said earlier, Cable TV offers a more realistic opportunity for involvement of minorities. Now as far as what is public policy - or should be - General Electric went to San Antonio five years ago and for five years they have had a franchise along with Cable TV in San Antonio. However, up until now not one foot of Cable has been laid.

I understand that now they will have to with the new rules that have been established. There was no communication with these Chicano communities by General Electric when they proposed their franchise. We do have Chicano members in the City Council, the government body there, and we will do what we can to insure that when General Electric gets the go sign to get to work - gets the go sign to establish their Cable TV systems there, that there will be a Chicano involvement. I think that we are a little behind the blacks, in name anyway, and the minority ownership thing, you know, I don't think there is one Chicano who ....But I am saying that definitely we will learn from our experiences and involve ourselves in ownership anyway in production until that we reach our peak.

A PANELIST: From the policy point of view, I would say that there were two ways to look at that. I mean you can, whether it is official public policy or not, you cannot make it a political issue in the local municipality, if you are properly organized and immobilized at the time of the issuance of the franchise.

Secondly, from an economic development point of view, there is already, I think, implicit public policy in that for economic development of certain communities there are

Federal monies that are now being given to groups which are interested in Cable TV. We are right now suppporting the Bedford Stuyvesant Restoration Corporation in New York and they are planning for a Cable franchise. In Boston, which is Italian, the low middle class Italian group in Boston is doing planning with OEO's support. A Black group in Chicago...... Development Corporation is doing this kind of planning with OEO's support. There is a group in Mississippi which is doing planning, the Delta Foundation.

And so there is that kind of explicit public policy and explicit granting of funds, planning funds from OEO. I don't know how some of the other agencies are moving along those lines. Also there is this other explicit public policy in special kinds of financing techniques and I am specifically referring to the uses of tax exempt bonds. In order to use tax exempt bonds, you have to get a public purpose for which the bonds are used. Otherwise, they will say why should the holders of these bonds be exempt from paying Federal taxes on the interest? And one of the public purpose bases for such bonds would be the economic development of low income areas. So I guess the public policy as far as I understand it ..... economic development context.

I don't know of any explicit from the Cable TV or television context, but I think there is a lot within the economic development context in terms of public policy that minority groups have been able to use to gain various kinds of support for Cable Television.

MR. TATE: Okay, I assume that we have got the mikes on the floor that they want us to use for comments or questions - one here, one back there - okay.

(General discussion).

MR. MANDELL: My name is Noah Mandell. I have a couple of observations to make to which I would like a reaction from anyone in the panel. One of the issues I think is CATV, the most appropriate device or even the most appropriate device to establish some equity in the unfair allocation of communications resources. We talked about one of the particular aspects of Cable being political on the local level. I think there are two other characteristics which are also .... and I think Mel Epstein has really .... and the other is that if you talked about super-duper cable, the kind of things that MITRE was working on - there will be a demonstration tomorrow - the application of services such as interactive television to bring medical services into lower income areas, things like that, is also a high technology industry.

And in my experience travelling around the country, the minority cable operator, the few that I know, perhaps the most outstanding cable operator in America is Barkley ..... in............ Pennsylvania, with forty-five to fifty thousand subscribers - hundreds of miles of ....He has a reputation for being a magician with technology. The word is that he can run twenty-one amplifiers in cascade and a good picture comes out the end. But his key to success was a) he is an extremely competent engineer and b) he had a large community to draw financial backing from.

So rather than say should we make a policy question about minority participation in Cable, perhaps there should be a strategy question of about how the capital should be acquired? Secondly, a lot of groups ....perhaps there is a group of political "clubs" that can show that the best financial orientation and access at high technology level opportunities to build some of these major urban systems. And there is an acute shortage of qualified engineers and technicians in Cable. Maybe some type of program could be set up to try and generate an interest on the part of minority groups.......train in cable technology. I think that is one source of management, operation expertise I have been interested in trying to get ....for graduate students in communication in the cable systems.

Cable operators seem eager to do it. I know that Chicanos are much better for minority participation in that sense but I think that the ....of the cable industry today is the acute shortage of technical assistance. I think that might be another road towards training minority citizens to operate and manage the cable systems because I think in the day to day function of the cable system it is the manager who makes the operational decisions. The absentee owner can set policy on a greater scale but it is not really that relevant to what appears on the cable from day to day. So I think that there are many levels and ways in which minorities can improve themselves in the cable structure today.

A PANELIST: What part of that do you want us to react to? (laughter)

MR. MANDELL: Any part of it. You know, how can we realize some of the ....

MR. TATE: You started out by saying that there is the issue of some inequity in the allocation of communications resources and as I recall you raised the question of whether or not Cable was a vehicle to remedy that as one issue - okay. Anyone like to respond or react to that?

A PANELIST: Well, the only thing I can respond to that is that seems to be where most of the opportunities seem to be at this point. Is there anyone who can speak for the overall perspective? I can't speak for the overall perspective of the television industry but I guess that's where the opportunities are. Do you know of other opportunities? If there are others well they should be pursued too.

MR. MANDELL: Well, I don't know but I think the intrusion of anyone into a UHF license situation is a very courageous step so by and large UHF licensing is a license to lose money. (laughter).........production facilities, maintaining elaborate production facilities with broadcast quality required by the FCC to put out really high quality cablecast programs. I have a great deal of ....and respect for anyone who wants to take that step. But there are certain inherent imitations of Cable and the first one ....I don't know how you can break into the broadcasting.

A PANELIST : That is the next issue. Now you are into your next issue. So we are assuming that Cable is the place, the arena if you will-

MR. MANDELL: Well I am not making that assumption, but

SAME PANELIST: Well what other arenas are ther?

MR. MANDELL: Well, for one thing the people you speak to are.....minimal. For the same capital investment, you can get an awful lot more mileage out of any type of broadcasting license. And, perhaps, if the same energies were devoted toward competitive hearing contesting for renewal of urban broadcasters, perhaps you could have a shake up....

A PANELIST: Well, you know the story in Boston and how long that took - where the Harvard based group - well you know those other issues -

MR. TATE: I think you know some of the other kind of issues you raised such as the scarcity or a somewhat, or as some people say the oversupply of managers among the minorities who are now underemployed, (laughter) or the scarcity or the oversupply of trained engineers and technicians who are now underemployed. You know those are issues that I think we want to get into much more directly. I thought it would be useful at the beginning to try and have some general framework to talk about Cable. I think we can talk about Cable. I think we can talk about, you know, a lot of the aspects of the total media industry but I think we ought to try and focus on the case whatever it might be or however people see it for Cable and I am not - I don't want to ignore those later issues- I think we want to get to them.

MR. EPSTEIN: I want to respond to Noah's question though. I think that he outlined two questions, how you structure the basic deal originally; there are two separate issues. How you structure a participation in a deal in a company and then secondly how that company will be operated and managed, so I think those are two separate things. And in structuring a deal you raise the question of the amount of capital, the capital intensive aspects and, you know, so if you start by those two, I think we should deal with them one at a time. How you can structure it - I think there are people here who are involved in structuring deals ......and Dayton and there are many ways for minority groups.

There can be joint ventures, there can be management contracts where the management expertise is transferred if that is needed. There are companies that want to demonstrate the use of their technology and they might find it in major urban markets, they might tend to look at major urban markets for this is an opportunity to demonstrate more advanced kinds of technology. (background noises drown out next sentence.) So that you know we can talk about structures in the deal to begin with and I guess what I am saying is you can use, you can get total financing in certain states by the use of tax exempt bonds with private companies operating and managing. And that kind of a deal is dependent on a bond underwriter willing to come in and issue bonds for you. And that is a hundred per cent financing. In Massachussets, a fellow from Badgent Company is going around the State talking to municipalities saying he will set up non-profit corporations within the city. He is willing to issue bonds. Other people -

A PARTICIPANT: Revenue bonds?

MR. EPSTEIN: Revenue bonds, right. A fellow from Badgent Company. I don't know what John Annicelli is saying, he is from Loeb, Rhoades. He is here on one of the panels. I don't know what he is going to be saying about his willingness to issue bonds. Of course, he is going to look at it deal by deal, you know, how much coverage do you have on the payment that he has to receive? Massachussets is the state I come from. That is one of the toughest states to get that kind of financing in because of the legal issues but other states are, California is a little bit easier. There are utility districts in California that can be organized and that issue revenue bonds. General law cities in California can use general obligation bonds that - under current law they can't use revenue bonds. What?

A PARTICIPANT: (Participant does not use microphone - text lost).

MR. EPSTEIN: I want to speak to that point. The fact that you are using tax exempt bonds whether general obligation or revenue doesn't mean that a private company can't own it. The city makes its credit available to all kinds of structures. When you build a . . . . . in New Jersey or in Oakland, it is public funds that are used but private companies get the benefit out of it. So there are all kinds of structures that can be used for tax exempt bonds. Each case has to be looked into on its own merits. If there is too much private benefit, then a judge will say well, private funds, public funds were used here for too much private benefit. Each case is very complex and each case has to be analyzed on its own. But the basic point is that you can have private ownership with tax exempt bonds.

MR. TATE: I might as well establish now if I might, because that is an interesting conversation and I don't think that even the issue of ownership hangs on that method or any of those methods of financing, that there are a lot of ways that people are approaching that. Some of the people at the table are from different places which are approaching it from other directions. And I think in order to sort of develop our conversations to the point where maybe everybody is included, I think you ought to try to complete this definition of the framework within which we are operating.

A PARTICIPANT: I am John ....from Jerrold Electronics. I am here because I am Chinese - a curious individual................which emphasis are we talking about because it depends on which is which..................

A PANELIST: John, that is a tremendous cue because I think we ought to talk about it. What are the possible areas of participation? We mentioned at the beginning that the program talks about ownerships but there are obviously other areas and -

(General discussion)

MR. TATE: Let's give the panel a chance to respond to that. Now what are the areas of participation that minorities should be concerned about?

MR. AUSTIN: Charles, I think that I stated earlier that the primary purpose for the minority community in Dayton to be involved in Cable is to have an opportunity in the ownership of this evolving industry and also to assure participation in terms of programming.

MR. CALDERON: One of the opportunities that have been given to some minorities by network based station in various parts of the country has been some of these thirty minute public service kinds which are usually presented over Sundays at some ungodly hour which nobody looks at. And unfortunately, most of the minorities have not been able to obtain the right kind of production assistance in producing a show that is interesting or that is really worthwhile, so even though some access has been given, we are still faced with the problem of doing the right kind of production.

And if there is to be a system of assisting minorities to obtain ownership and participation in urban cable television one of the major needs is, that once you get it, is to be able to produce the shows that are quality. Now we - all Chicanos say we - well this is the kind of show we like. But in trying to produce them it is a problem. The only national Chicano producer that has made it is Rudy Taes and he did the Tonight Show for a couple of years, but that's it. But definitely if we are going to consider Cable TV ownership opportunities, we should also discuss the needs of quality production on Cable Television.

A PANELIST: (text lost)

A PARTICIPANT: I am Everett Waldo from the Civil Rights Commission and I have a question that I think is of real priority. There was an assumption here early when the panelists were talking about minorities "should" and minorities "ought to" and minorities "are going to" get participation in Cable Television, and other forms of information media were also referred to. My question is How? The patterns of practice that I am aware of in American business and in American public policy do not suggest that it is going to be easy. They even pushed me to the point of being extremely cynical whether it ever will happen. I am interested in its happening. I am not terribly optimistic about it happening.

One question; this is the question I would like to be addressed by the members of the panel's broad range of experience. What are the strategies that might be undertaken in order to assure that not only through audio, not only through public service times that are somewhat paternalistic in giving away a few crumbs, but how can private minority entrepreneurs get adequate financing even after they have been awarded the franchise which in itself is extremely difficult. This is my view of cynicism about the whole problem and I think this question of strategy on how at the very beginning is what I would like to get more information about.

MR. TATE: In relation to that, I would like to suggest what some possible areas of participation are. It seems we do have to talk about that because the strategies for participation in one area may not work very well in another. Now one area is the policy making area itself at the Federal, state and local levels. Policies affecting Cable are in fact being made at all those levels, by many different kinds of groups. There is an Office of Telecommunications Policy that is part of the White House. Almost every Cabinet member has an office of Telecommunications Policy. I raise the issue about minority participation at that level.

We know what the situation is with the Federal Communications Commission. The issue has been raised about minority participation, generally by Commissioner Hooks. State governments are setting up study committees and agencies. The people on those agencies and really local governments are setting up study committees behind consultants. They are doing a large variety of things. Who is doing that? And is there a connection?

Another area is research and development, like this Conference is at The MITRE Corporation which is a research and development organization. If you are familiar with the literature that has now been introduced on Cable Television, you are aware of the fact that there is a Sloan Commission Report and there is a MITRE Urban Cable Systems Report. There is almost a full library of Rand Reports. Is research and development a legitimate area of participation for minorities and if so do you begin to address that since in fact public money is being used to shape public policy and minorities do not, at least, based on my investigations, seem to be involved at all.

There is a Cable Television Information Center. They talk about Cable in information and technical assistance and services as another possible area of participation. There is a Cable Television center at the organization where I am presently located, the Urban Institute, which has been funded by the Ford and Markle Foundations to the tune of three million dollars. And minority participation in that operation at this stage is very, very slight, to the point of one black professional. I think that these are areas for consideration for minority participation.

Programming has been mentioned. Ownership is an area that I think a lot of people want to talk about but there are also the areas of information in operating cable systems. There is a whole area of pay cable; there is the issue of construction of Cable systems; there is the whole, the human question can become an increasingly important issue. So how do we begin to deal with what is participation and, you know, what might be the varying kinds of strategies to address that? It seems to me that if you look at what is happening with Cable nationally all of these things are happening. The Cable industry is not simply the cable operator. It is additionally the Federal government. It is the think tanks; it is all of those things. Now where are we in relationship to all of that and are those legitimate areas of concern?

MR. WRIGHT: Well, Charles, I would like to respond to that. You mentioned a lot of the nation's documentation report which was the Sloan Commission. Here is a gentlemen who had a accreditation within the academic community for a number of years, received quite a number of Academic Awards, but didn't know a damned thing about Cable and he was appointed at the head of the Sloan Commission Report and he suddenly became an expert in Cable. At the National Science Conference in Philadelphia, he was on the panel and you know everybody in the room who was an engineer and who had been in Cable for fifteen or twenty years was sitting there feeling the same way until I got up and said the fact was that Dr. Mason knew nothing whatsoever about Cable.

Now how many opportunities are given to black scholars and what-have-you to be put at the head of various commissions so that they, too, can share in the staff work of a lot of people. He had several foundation people who are here you know, Ford Foundation, Markle Foundation, - with all of their liberal rhetoric, and that is exactly what I called it, and you know somebody can go get them and bring them in here and you know I will lay it right out to them, there is not one black organization in the country that has been funded to deal specifically in communications.

Now in terms of the Ford Information Center, I know blacks who worked on the original proposal which gave the rationale for Ford to fund this. One of the Foundation people asked me a question that I think Ted Ledbetter who had happened to work on some of the reports and so forth could head the Cable Information Service and not as a black man. So, I said you know a successful black man is one who emulates the white man. You know that rippled through the Foundation where I called him a racist and added a few other adjectives which, you know, are part of my vocubulary and that rippled through the Foundation. He says why do you call him a racist? Well the fact speaks for itself when no black organization or institution has been given any money to do any work in terms of research and development which gives you the basis for developing some of your arguments and strategy for obtaining all of the economic ingredients which go into the ownership of Cable.

Now people are talking about production and so forth. You know we have had a history of singing and dancing for the pleasure of other people and you know, I am not so inclined, you know, to specifically stay in the areas of production. You know I know what black Americans can do in terms of production and I know the creativity of blacks. You know anytime that we can survive in terms of entertainment, sports and everything else with all the hang ups and handicaps, I am not worried so much about the production aspects.

But I am worried about the ownership and control and the only way that you get into it is not in terms of straight thinking. This is one of the things that disturbed me yesterday about the reaction of people when Mr. Kahn was talking. You know straight thinking is straight thinking in a way that an interstate highway is straight. It is unlike winding country roads and it does not follow the natural contours around reality. Now the reality of the situation is there. And some of the things that will make Cable economically sound and in communities that have a stable community and for it to run very efficiently and so forth - but nobody thinks about cutting wires - that is damn reality and you know nobody thinks about it in any one of the large major markets where the concentrations of blacks, the percentages are at high numbers.

As greedy as white America is there is no way in Hell that you are going to forget about the urban areas in Detroit and Washington. And I predict that Washington is not going to have any Cable for four or five years unless they rush it and go and throw in a whole lot of Federal money and do it by the Government's mandate for the 1976 bicentennial. It just ain't coming. And they ain't going to forget it, you know, the TelePrompTers and everybody else. You know whether they like it or not, the Capital of the United States is black and you don't, you know, shoot them wires and them cables over here. You come right into them streets. Now those are things that people just want to gloss over, you know, and it is an easy organizer and part of the time, and when you have a single issue that you don't have to cloud with a whole lot of other things, Cable Television - I can create so many myths around Cable Television that suggest paranoia and everything that they would actually have roadblocks keeping people out. Now those are realities.

And what does that do to the financial world when the financial world finds out that that community is having a little problem? They are going to be kind of reluctant to give out money to anybody to lay Cable. Now they want a stable situation and they want a situation where a businessman can make a dollar. Now whether anybody wants to talk about those areas, that is reality. I am looking for methodologies which lead to control so that I don't have to beg for no jobs. I know plenty of lawyers who are running elevators and I know plenty of people- there is no scarcity of engineers - now there aren't that many engineers in Cable. Well, you know, it hasn't been around that long, twenty years or so. If you want to have an abundance of talent you just take an engineer. You can turn him into a cable engineer right quick, right quick. It won't take that long, but the idea of getting The MITRE Corporation - they called me fifty times about participation in this panel - why, because they needed this here black. And it is not a matter of a track record because Hell, I probably got a better track record than most of the MITRE people because I participated in the formulation of the Federal regulations. When they talked about technical standards, my comments are with the Commission. Whatever dockets came out of the Commission, I wrote comments to them. Whenever there is testimony to be delivered at the Senate, I delivered it at the Senate. So what do you need for accreditation to be added on the groundwork of this? The MITRE, the Rand Corporation, The Sloan Commission Report - you know, they get one person and they "put" them all.

Now everyone of these panels, except this one, and there are some big panels up there you know, they had to have some blacks and one didn't show up and that kind of threw it out of kilter. (laughter) This all leads to better understanding of the industry that we are talking about. There are a couple of things as I said that go around straight thinking that I would like everybody to recognize and that is the percentages of blacks and other minorities in these large metropolitan areas. And these large metropolitan areas are not going to be left untouched. They are talking about the development in the markets from fifty-one down to a hundred. They are going to develop those. But they are going to come into those big markets sooner or later and then that is when some of the reality that goes beyond straight thinking is just going to emerge and is going to change this whole pattern.

So you know I am not too much concerned with your question about production. In fact, on the way out here, I was reading an article in Newsweek - "the cover" - Black Movies. And I was just looking at all of the rip-offs there you know and looking at the amount of dollars you know. Shaft saved MGM. You know that was black America that saved MGM. Now I am looking for some of the benefits of those revenues that came in from all those black people standing in line because of the starvation of cultural presentations and they think that white MGM is going to produce something that is going to be relevant to black people. I am looking to share in that pie and in terms of the economic development.

You know if you take the Cable System and you have got a hundred thousand people at six dollars a month and you put six hundred thousand dollars a month in the bank I don't have to go and see no loan office. I would talk to the damned president about getting a loan for anything in that community or pull that six hundred thousand dollars a month out and go into a bank that does. Now that is economic development, you know, that is the leverage that five or six dollars from those black residents, that is what it will produce. That is why the emphasis is on ownership.

So that I don't have to grovel and growl when it comes time to get a loan for day care centers, community schools or whatever they want to put up. Why do you have to "own" something? Those are the real issues about ownership. I don't have to beg for no job. All of the spin off, nobody ever talks about all of the spin offs - who is going to control the spin-off businesses you know? They talk about meter reading. They talk about burglar alarms and so forth. Who is going to control that? Those are some of the rip-offs and some of the write-offs that, concessions that could be made in communities.

We were talking about Dayton here and I am you know - I think he failed to mention that they have a black mayor there. In Dayton, and the Rand Corporation Study was to develop rationale so that where there is a large concentration of blacks, that they have decentralized that power - Black Power - and then begin to talk about a regional system making Dayton have one vote and Kettering have one vote and Vandale have one vote. Wherever we begin to get into numbers, they begin to talk about councils of governments' approach and let us have a metropolitan system.

That is all the Rand study was and if you know anything about Dayton you know that Ford Foundation participated in it and if Rand participated in it, the general idea was to set a national pattern in Dayton where there are large concentrations of blacks who will form a metropolitan approach to Dayton. And then that was the Foundation's thinking and that was Rand's thinking. But somehow it got turned around because of the fact that they had a black mayor and they had a little organizing there that went beyond Cable a couple of years before.

And the mayor told them go straight to Hell. When I wanted to talk about schools, you told me to go away; when I wanted to talk about transportation, sanitation, you told me to go away. You moved out in the suburbs, now you want to come from the suburbs. Housing, when you you talk, when we wanted to talk about low cost housing, they said go away; the white suburbs said go away. Now here comes something where there is a large concentration of blacks in an area and they want to dilute that power and say let us talk about a council of governments first. And I think you need to be thinking about those devious methods of breaking up the pie, the political pie into just sheer numbers, this is one time when the crowded innercities paid off.

So those are just some of my thoughts in terms of observations in relation to the conversation. There is not too much conversation going on here about Cable.

PARTICIPANT: Bill, could you take that a step further? Speak to the resolution of that problem in Dayton because perhaps that, if it is worth anything, ...it could tell us or or show us another way to go in the pattern of minority..........

MR. WRIGHT: I can only say that several years before Cable became an issue, I was in Dayton organizing around license challenges for broadcast properties so there had been a considerable activity in that community that spoke to the power of the broadcasting industry's effect to influence minds and what have you. And more important to the political community, too, so I had made touch with the mayor and several organizations. So when Cable came along, I just made another trip and it was joined by several other people who went into that community and did something, did something that no one else seemed to need to do. And that is to go in and tell people what Cable was all about. We held a conference there, how it works and explaining it in such a way that the person in the street would understand it.

As far as Cable is concerned, we described it as the water business, just like the water business. You lay a pipe and you run water through it. I am sure that most of you sitting up here, looking very intelligent about Cable, don't know a damned thing about a water purification plant but you do know about water so in terms of Cable, it wasn't too important for community people to know all of the technology. You just lay a pipe and you run water, you lay a cable, and you run pictures.

Now as far as the technology, there is where those engineers come in. But to explain it to a community we broke it down so the community became sensitive to a new industry coming in, became sensitive to the control and it also became sensitive to its political power in Dayton. So then the mayor was transported from Dayton, Ohio out to the University of Southern California where the Rand Corporation was participating in a Conference that was put on by the Mafundi Institute and he asked all of the questions that gave him the right answers to go back and tell the people who produced the Rand Report to carry that council of government concept right out of there so it was a whole organizing activity from what most people talk about but never get into - some of - from the community level. And when they got the understanding of what the animal was and how it worked and the power of it and what that meant to the residents of Dayton, then they began to articulate their position and back up the black mayor.

So it was all organizing activity that went into it expanded over a two year period. Those were some of the things as viewed from an outsider.

A PANELIST: Actually I would be very happy to discuss the entire Dayton proposal but I would be interested to - I know from the young lady how she terms it a rip-off by Cypress-

A PARTICIPANT: I didn't say that it was - I was just wondering - as I understood it, what finally came out of that was that they gave one area to the black community group and they owned the rest. But that was with the understanding that they would get all of the, they would give one piece of the pie with the promise that none of the rest of the pie would be divided up, am I correct?

MR. AUSTIN: Not exactly and I think maybe I should explain the proposal, but Cypress does not have the right to give anything. The City Council grants the franchise and Cypress is a competitor for the franchise just as any other Cable operator. If I might explain just the basics of the Dayton program, the franchise calls for multiple districts. Dayton is segragated in terms of the housing pattern; the Southwest section of the city is like ninety-nine per cent black. The Southwest section of the city is also a high density area and probably would have more or at least about one-half of your possible cable subscribers for the city of Dayton.

Consequently that is where the black political power which is one-third of the population of the city is located. So, consequently, we felt and I have to - really this whole conversation is good that Bill is here because Bill, Charles, and Ted were the individuals who came into Dayton like three years ago. I remember Bill. As a matter of fact, I was the paymaster when Bill came in as a consultant for the model city's education program to tell us about the pie or the media. And this is really when people in Dayton began to look at communications and then people like Charles or Ted could make continuous trips and we began to look at how we could influence the development of minority participation in the Cable Industry. And at the same time, Ford and Kettering had put their money in the land study which was all prepared to have what I would consider a rip-off not only for Dayton but to be the pattern for regional Cable Systems throughout the country.

And that particular concept was turned around at the land study because of the insistence or the input that was made by the Dayton Minority Community. The fact that it didn't get off the ground in Dayton, Kettering and Ford lost some eighty thousand dollars and they even put on another private conference which was never communicated throughout the country to try and straighten things out, with the blacks in Dayton because they knew they really had made a boo-boo. But at any rate the Cypress Citizens Deal calls for a joint ownership of a separate corporation to operate a franchise and in the Southwestern section of Dayton.

It has provisions in that agreement to allow citizens to purchase the entire Southwest franchise and to also merge into the total, actually. Let me just digress just for a minute. The third corporation would apply for the franchise in the Southwest; Cypress would apply for the franchise in the balance of Dayton. The agreement with the citizens of Cypress would allow citizens, at the will of citizens when it is determined to be in the best interests of citizens, to first of all purchase the entire Southwestern system and the financing arrangement. Even though we have an equal position in terms of control, the equity position is not in fact equal because of the loan arrangements that will be negotiated or have been negotiated with Cypress. But we do have the contractual opportunities to purchase the entire system from Cypress. And after that we have the option to merge the Southwest system with the total system of Dayton, keeping in mind that in ten years the same people who are on the Board will be granting a franchise for the whole system of Dayton.

That, I think in terms of economic feasibility and this is what we are talking about. We aren't talking about programs; we are talking about making money and we are talking about controlling the media. You have to forget about all of these other who-shot-John types of ideas and when you get into the arena, into the capitalistic arena there are trade-offs. If you go to make a deal without a dime, you will have to give up something. But power is actually - the ...... of power is in different things, There is political power. There is control of resources, both tangible and intangible. And then there is knowledge. Knowledge is also power. We had no technicians in terms of knowing how to operate Cable systems . As a matter of fact, if you sat in on the meeting yesterday you would wonder if really Cable was going to be a successful business venture. And if I was a conservative banker, I would hold my pockets real close. So, I would rather think, I would rather see a company like Cypress and the investors who will be investing in the deal put the money out first and have the potentials of law rather than to get a welfare worker to buy a fifteen dollar share of stock and capitalize totally which we can do. We have the resources in Dayton to capitalize and run the system ourselves, to hire guys like Bill and Ted. But really they are too expensive so we couldn't really hire them. (laughter)

But I am sure we could get some of these engineers to come and run the system and it would be a ..... system but at the same time, we think that we would like to use the technical expertise of proven operators. And having the ability to exercise the business prudence and actually to buy them out when it is time to buy them out, to use their money. You know money. If you are using their money that means that they have to, they are going to work harder to make it work.

MR. WRIGHT: Let me clear up a myth right there. Somebody just threw out something that I am disturbed about. (laughter) First of all, I have never, if you remember, being paymaster, the paymaster paid my expenses and not the consultant fees and so forth, I have never charged a community group any money to come in and give them any technical assistance. I just said I need transportation and even though Ralph Nader doesn't deal with broadcasting, I have been dealing with it from the level that I have been offered some of those jobs that are thirty and forty thousand dollars a year but I don't make half that. So I am not expensive (laughter) on one hand, you know, and on the other hand, I am not taking any of those jobs so I just wanted to step out of that category of the expensive kind. I think this is the place out here for this expensive stuff, you know, for MITRE and, you know, they can afford these guards running all over here and all this audiovisual equipment, these speakers and everything. This is expensive. My operation is not expensive. (laughter)

MR. TATE: I must say this is true minority participation. Guys like Bill who have dedicated themselves to being precipitators and instigators and (laughter)-

MR. WRIGHT: Outside agitators -

MR. TATE: Outside agitators going into communities, making them aware of the needs for minority involvement.

It may be useful at this point to have sketched out for you the other ownership forms that exist. I still want to deal with this research and development area and maybe we can get back to that. I just throw out the fact that projections we hear indicate that the Federal government is going to spend about fifteen million dollars on these projects for telecommunications. I think you have to deal with that both as a participation question - both in terms of -

to include economics - also........The fact is that the current Commission on Higher Education issued its report called the Fourth Revolution and called for the Federal government in 1973 to spend a hundred million dollars on educational technology. I think that is an issue and I ask you to hold it in your head because I think it is very important not only economically but politically.

I would like to now introduce Ed Loyd who is the President of Essex and West Essex Cable Company, who represents a different kind of model and ask him to describe his operation. And then I would like to ask Jim Taylor from Mafundi to talk some about the type of model that they have got in mind for South Central Los Angeles and then we can have some dialogue about these different models.

MR. LOYD: First of all I am sorry for being late. I am a franchise holder. I have several franchises in New Jersey and I came into the CATV business in '65-'66 and most of my franchises are all in predominantly white areas, in Essex Country. So therefore I am different from the ....aspect of going after franchises in black areas or in major cities. Most of my franchises are also in the suburbs, major suburbs in the Northeast corner of New Jersey. However, I am applying for franchises in several of the major cities also. How successful I will be - I think the big factor - to make your thing - I looked at Cable Television purely as a - from entrepreneurship, saying this is a way to make money, big money, so I am getting in right now. I have found that is a proven working policy.

I looked at the Dayton situation. I looked at several other situations around the country where community groups had tried to franchise and go against the major companies and all. Luckily Dayton is not the only successful operation so far. I think personally that the framework of the Dayton situation is good. I don't like it personally. I agree with the young lady. I think it comes as a form of a rip-off because this is in my eyes what it looks like now. I have seen other community groups like in Detroit where I was applicant against them and I think basic policy, the basic line of policy that they follow, trying to protect the community and all, I think most entrepreneurs or most major companies would give them what they want except ownership. This is the reason I say the Dayton situation .... the ownership situation squared away.

I also looked back on my situation where I received my first franchise in '68. And we are just starting to build it in '70 because I had the problem of financing. I think most of CATV has that problem at the beginning, but I think mine was somewhat heightened because I just walked into the Bank of New York one day and I asked them for $300,000; what collateral? So then I tried the Federal government seeking money and after spending about $7000 convincing them that perhaps they should lend me the money, they came up with the theory that they couldn't lend me the money in case they had to foreclose. They can't own no form of media, so out the door there. (laughter)

After that I went around to several CATV companies and they were very happy to give me - I had the franchise in hand - the rule of thumb - okay, we will pay the expenses that you incur and give you twenty per cent, but we are going to run this system. That was in late '68. So I wandered around, wandered around to find the best deal. Therefore, I ended up with a thirty-seventy deal; the company that I had merged with didn't really have enough money. They needed my franchise to help them raise money ....(laughter) So I got rid of him in a hurry.

So finally I had one particular franchise........company and I had several other franchises under another company so I took that one franchise and merged with another company and hopefully looked at twenty per cent..........bank or insurance companies to use the twenty per cent profit from that particular system........had collateral to go to another small town and take that-revenues from that particular system to build "another town" as......."hermit" type financing situation, we are now presently enjoying.

MR. TATE: Jim?

MR. TAYLOR: I will introduce myself again to those that came in late - my name is Jim Taylor and I am from Los Angeles. I am the Director of the Mafundi Institute and the Mafundi Institute is an organization in Los Angeles that grew out of the ....in 1965. And just as a little background, I won't get off too heavy into that because this is a Cable

Conference. I realize that, but I think you ought to really know something about the thinking that went into the formulation of what we now call the WATTS Communication Bureau.

We had also been hung up in this same bag of you know.........., the model cities and you name it and Ford and Rockefeller disappointments and turndowns, the usual things that happen, you know, in black communities all over the country. So we began to look around for some kind of avenue whereby we could create some real jobs and really make an impact on economic development. So we began to kick the Cable idea around in '68. First of all the Institute was heavily...........the cultural thing-so it was a natural because it was....... around - a workshop approach of getting these various disciplines or whatever you want to call it out - a very basic film making, drama, music - at the point in '68.

And we will go back to what I wanted to say later, because we always have to deal with a point in time. We had another approach to make this cable company go but we had to change that approach. Now we are simply talking about a joint venture approach. It is very simple; it is not really complicated at all. However, if we are not in business pretty soon, we are going to have to change that approach. And we must keep in mind whatever access really applies, not really totally to the state of California but it is what is necessary in the city of Los Angeles to get this Cable Company and movement.

And to echo Bill's sentiments, I won't go into all of that but you know I really feel the same way that we don't need to be hung up about technology, production, not any of that kind of stuff. Because history has told us that money, capital whatever you want to call it, will buy anything. You know what we got to deal with is the policy because that is where the hangup is and then you get into that political thing and where politics is heavy you have heavy involvement of capital and money. Now, we all know that now. We have gone full cycle so if we just talk about these things that sometimes get kind of paranoid and suspect that maybe there are some people out there that purposely laid it out to try to you know sidetrack what the real issues are. But most of us within this business, trying to get into it, going to be in it - you know, one way or another, because after all we are going to own that company because whatever company comes in there is going to have to dig up those streets and they are going to have to dig by us. Now we say it, and we say it on every occasion because we just don't want the people in Los Angeles to know it. We want everybody to know it because that is what all black communities have to do is tell those companies that you have to dig up the streets in front of our house, in our business areas.

The WATTS Communication Bureau was organized in 1971 for the purpose of developing Cable franchises and operating those cable systems in South Central Los Angeles. As a result of negotiations with the Bureau, and we have the Public Utilities and Transportation outfit that has to say yeah or nay, in terms of making the recommendations to our City councils and those of you who have been to Los Angeles and seen all of the vast territory - to get a majority, eight of those city councilmen to go along with you is quite a task.

Now what we have here is a joint venture system that was recommended by Lombardi, by Talis and McKenna some investment bankers in New York City. And I must repeat that this is not wholly because we may have to go another route. Under the proposed partnership agreement, the Mafundi Institute which is the parent organization of the WATTS Communication Bureau will and must own fifty-one per cent. Now we are going to take in two other partners, Community Associates and you know .... that's all it means.

And we are counting all of the dollars basically to date that we have spent towards this capitalization and it is estimated that it will be well over two million dollars.

The potential market to be covered by this is very small. It is only seventeen thousand homes and here again those of you who have been in Los Angeles know that is only a drop in the bucket. But we also know that they are saving that larger piece of the pie for the ...... of the cable, and the TelePrompTers and all the rest of them and the population served consists almost of approximately sixty-five thousand persons with an actual property value, that is on the home, of sixteen thousand dollars.

The vast majority of the Cable systems in the U.S. have been like a turnkey type operation and we are going to talk about what has been talked about the spin-off and the other things which I really won't bore you with and you know -.

MR. TATE: It may be useful Mel, since you have been involved with the Community Development Corporations and you mentioned a number of them earlier that are now planning Cable projects, maybe you would like to talk about a couple of those additional kinds of models.

MR. EPSTEIN: Actually I have to pass on that because the Community Development Corporation itself would have to talk about the structures. All these are in the planning stages and specific deals that are being worked out I am not really in a position to talk about.

I could talk about some of the, in general the types of deals that could be worked out in terms of raising equity through tax shelter, and so forth. I don't know if you want to do that now or -

MR. TATE: Let us see first if there are any questions on these models that have presented -

A PARTICIPANT: Well, this a a broader question and it is going to lead to something kind of heavy here. I am asking really because I am confused. Now I have two hats and two hearts or it's one big heart, and it deals with the concerns of minorities and an identification with the feeling of minority ownership and what it can do and the necessities for it. Now, at the same time I am very much concerned about the potential of Cable for the delivery of medical services, community social welfare services, rehabilitation services. Many of you in this room know who I am so you know what my concerns are. If Cable is a viable vehicle for the delivery of these services, policy issues then arise in my mind as to whether individual ownership or control would allow for the growth of these services. And I am concerned about municipal ownership in that concept and common carrier and how common carrier would affect the concerns I have for minority ownership. Are those two things in conflict and I would invite Ted to also enter into this because I have heard both positions articulated beautifully by people I like and respect and admire and that puts me in a -

(At this point the magnetic tape finished and there was a different speaker at the start of the next magnetic tape)

A PARTICIPANT: I think there are going to be some municipally owned systems. I am also convinced that there are going to be some minority owned systems of various kinds. They already exist in some.......... systems and the reality is that they are privately owned systems, mostly operating in white communities and so there is a question for those communities in terms of whether or not those kinds of things are going to be done over those systems.

I think that the form of ownership is looking at the dynamics right now and is not going to be the highlighting influence. I think the Federal government is going to be the primary influence in terms of its willingness to put up the money for the R&D, to demonstrate the economic feasibility of the delivery of those services and that the principle was established in the rules, in the FCC Rules. There will be enough to pass .... carrier basis to deliver the services so that the way it looks at this point that is not going to be - you don't have to in fact have a municipally owned system with....... allocation of common carrier channels to have those services delivered.

I have got preferences and biases about this kind of model. I think to just put that on the record for whatever it is worth in terms of an economic or a community development approach, it would make great sense to me to use Cable for both vertical and horizontal integration in underdeveloped communities. What I am saying specifically is that where community groups have already established health centers and manpower programs and other kinds of social service, public service type programs, they ought to be looking at Cable in terms of how can you use that system to link up each other to operations that we already control to deliver the services over our own cable system. And at the same time insure the earlier delivery of those services. I think that black communities and other minority communities would have a stronger incentive to do that earlier, to use the cable systems that way. But now perhaps somebody else wants to comment on that.

MR. AUSTIN: Yes, it is rather disturbing to me that it becomes a real question of whether you should have public or private ownership of the particular instrumentality when minorities become involved. It is just a clear cut picture. I think as long as we live in a capitalistic society and we are talking about GNP and these other capitalistic phrases, it is ownership and making a profit that will actually influence the direction of our community and country.

I think that there are methods in which we could assure the delivery of public services through the privately owned enterprises because it is done everyday. And I think that minorities should not be maneuvered into a situation based on a point of socialistic type ideas to give up an opportunity of ownership in a vastly developing media so, for the record, that is my position.

Also I would just give an example. Actually you can make profit by having these channels available to the urban leagues, the OIT's, the HMO's and the other programs and projects which are Federally funded to provide these services that you mentioned, consumer protection, health maintenance and protection, crime prevention, drug prevention. All of these particular social relevant areas can in fact use the cable technology to advance their particular cause. But at the same time it could be done on a profit basis for the owners of the delivery system. And I think that blacks are on the verge of owning that system. We shouldn't even discuss whether it should be municipally owned or publicly owned. Also when you are talking about a system which can generate the kinds of revenues that we are talking about like one point five (1. 5) million dollars a year in Dayton that we intend to funnel through a black bank - when you are talking about that same person who needs those health services being able to go to that bank and maybe borrow five hundred dollars from that bank to go and have their teeth pulled which really is the basis of their health problem but they just didn't know it or something of that nature or that same HMO using the Cable to broadcast general hygiene programs and it is a big circle.

And I think the slightest of it though is to get some control to ownership of the system and black people are really going to take care of other blacks in terms of making the channels available and I think we are the ones who in fact operate the job training programs. We operate the HMO's, we operate the drug programs. Have I been beeped or is the microphone still on?

GENERAL REPLY: Yes.

MR. AUSTIN: O.K. since we mostly, in most minority communities we also control those areas, I think that they will be an intricate part in the public service aspect of Cable. And in fact, it is an intricate part of our application for the Dayton community. We would like the City Commission to know that we intend to use the cable technology to eliminate some of the social problems and at the same time we would like to make a profit in doing it.

MR. TATE: That raises the question of priorities there, Yes?

A PARTICIPANT: (voice low - parts of text lost) My name is George Miller.......In a sense I resent the whole.........it has an unpleasant connotation. It seems that whenever you talk about minority participation, the connotation if that we are the minorities that are going to join you, you know and in terms of Cable............something that is not off the ground and instead of minorities thinking about or thinking in terms of joining or getting with something that is..... maybe we should be talking about leading it or taking a larger........and one of the things that Ed Loyd said really impressed me about his franchise area going to be on.......a black community........and that is what we are aiming at. The franchise area that........includes not only...............but also surrounding neighborhoods such as Brooklyn Heights, Brownsville, Williamsburg, you know, other communities and we should not limit our thinking to just black community and Chicano community. You know it is taking...........it is going without saying.................although we may not get the franchise we damned sure can stop anybody else from getting it in our community so we should be thinking beyond..... The industry like somebody said yesterday is smaller than three hundred and thirty-five companies in this country............So this isn't a ballgame........ the game hasn't started yet so we should be thinking about the rules of the game.

A PANELIST: I just wanted to add one thing to that and that is that most people think that this ballgame is just cable and that it is just gétting a piece of that pie but you know it goes much beyond that. It, in fact, goes to the area where there are a lot of black towns which are developing now. All over the country they are talking about building totally black towns but in that development there are also people working on you know I resent the fact of Bell and all of them owning all the telephone systems - so there are people right now working on getting the telephone systems which have never lost money you know in these various areas, and so it goes.

There are people who are thinking in much broader areas than just getting into Cable. We are talking about controlling resources from various other industries, just conrolling the resources that are in black communities, you know. And that is the whole name of the game, giving resources to communities that have no resources. So it just goes beyond you know getting something, a piece of the action, a slice of the pie, you know. This day is gone and you have seen the results and the frustrations of it. So the day is gone where people are just going to stand by and be ripped off.

A PANELIST: I think this issue being raised seems to be a growing interest in municipal ownership as well as some kind of regional type ownership and I think that becomes a kind of regional type ownership and I think that becomes a kind of issue to speak to from a minority standpoint. I am concerned about the fact that when the City of New York awarded franchises in Manhattan there was apparently no consideration given to deliver anything to anybody other than to TelePrompTer. And yet very much concerned about the problems of the city - ratify the award of the franchises without any conversation about what kinds of benefits the community was going to get. Part of our reality in this country is that municipal governments in fact.... for a panel like this to raise that because where we come from the government doesn't even pick up the garbage outside. (laughter)

MR. EPSTEIN: I want to say something to that, to the municipal ownership question. Sometime we are, at the Center for Community Economic Development, working on how tax exempt bonds can be used to finance cable television but this I don't think should be confused with municipal ownership. Tax exempt bonds can be used by any kind of corporation given the proper log in the local community to develop. And to develop an economic enterprise that is considered in the public purpose. Stadium, parking lot and cable television systems are in this category and we have decided to do work in this area of tax exempt bonds because of the great long term capital problem that you are faced with in Cable Television, for which tax exempt bonds offer one solution.

And this doesn't mean if you use tax exempt bonds that corporations can't make profits within that structure because people who develop parking lots use tax exempt bonds. The Oakland Stadium makes a profit with the public funds. It is just one solution in the whole general context of this cable development. I think it is going to go on and it is just one thing that is happening and I am not here saying -

A PARTICIPANT: What are the politics of that? What kind of authorization do you require at the local and state levels and what about issues like death ceilings set by governments for municipalities and how do you see this being used?

MR. EPSTEIN: Right. We are talking realistically of revenue bonds, not general obligation bonds. Revenue bonds have to be paid out of the only recall if is a default would be out of the operation of that economic enterprise. General obligation bonds you have to call on the whole credit of the city and we have pretty much from the start taken the approach that the city is not now going to issue general obligation bonds for this purpose given the difficult state of municipal finance. So it has to come out of the project itself and I should say that there have been revenue bonds that have failed. The West Virginia.........is an example; not enough people used the Turnpike so they couldn't pay. So it is a total risk field and a particular bond underwriter has to look at the particular financial projections and decide whether he is going to put reputation on the line and raise money for that project.

A PARTICIPANT: Isn't it true that when you float a bond issue - for a city to float a bond issue in some instances they need to have a community vote on that bond issue?

MR. EPSTEIN: Yeah, for utility and certain kinds of bond issues you do. In the cable field, there are a number of ways. One of the ways that we are exploring is where you don't even have to deal with the city government but a community development corporation could itself have the legal right to issue bonds, tax exempt bonds. You wouldn't even have to work through the local city government.

A PARTICIPANT: Let us be realistic. Do you think that any of the people that buy bonds are going to buy bonds on - we get right back to the record - how can you produce - there is no assurance that is going to be successful -

MR. EPSTEIN: Yeah, well in raising municipal bonds or any kind of money you have that problem if you want to get a bank loan or you want to get equity investment, you have the problem of being successful. People are going to look for management contracts and they are going to look for ability, some kind of ability to perform. Like any, it is the same as raising any other form of money. I just bring this up in the context and in the spirit that Georges Miller brought up. I say that this is going to be a factor and to the extent that there is going to be tax exempt bonds and that kind of financing, there is going to be a need for management companies to operate. When you fund parking lots or other municipal services, there is a management company involved.

That management company makes a profit so that is another area of economics, economic development. To the extent that the municipalities and other types of public interest groups are going to get the financing and they don't have the cable expertise, it is going to be business and management contract. Malarkey Taylor Associates is one of the larger well known consulting firms. They say they are interested in taking management contracts. They see it as a money-making business.

I suppose other cable companies might get into it even though they don't own franchises and haven't allocated their capital. It is a way, you know, you have no capital invested and you are making money; that is a good return. So that is a business that is going to be there and it also doesn't preclude private participation. I think municipal ownership is sometimes presented in that simple one-dimensional framework, that it is going to be a division of city governments; that is not necessarily going to be the case.

MR. TATE: Ed, I think you were being a little kind to him. You say that this approach of revenue bonds is one of the approaches that you are working on. Can you describe some of the other approaches that you are working on so that we know that you aren't wasting all your time?

MR. LOYD: Well, I don't think we are wasting our time on the tax exempt bonds issue and I would like to know a little more why you feel that way, but -

MR. TATE: Well, you were talking about municipal ownership.

MR. LOYD: No, private corporation ownership.

MR. TATE: Your private corporate ownership in terms of the Turnpike authority or Port Authority, correct?

MR. LOYD: Or a community development corporation -

MR. TATE: Or a community development corporation.

MR. LOYD: Yeah, we work primarily with community development corporations.

MR. TATE: I recognize that but is it not true that the bonds contract itself would probably be as structured and as constricting to the community development corporation as any private debenture or other kind of -

MR. LOYD: Yeah, the terms of the financing are negotiable just like any other kind of financing deal. The main advantage here is the effect that you can get a hundred percent financing at much lower interest - you know private financing of cable is ten to fifteen per cent - we are talking about five and a half per cent over fifteen years.

MR. TATE: Right. But aren't these terms in terms of building a wall around the financing etc.? Aren't those terms of the bond contract as restricting if not more restricting that those of private -

MR. EPSTEIN: Well, there is no deal yet, so I don't - I mean potentially it can be just as restricting, more or less, but I mean there is no - I don't think you can say beforehand -

Now I would like to get into, I would like to answer his other question. One of the other areas that we are working on is the whole issue of equity capital and of course the big problem with equity capital in this sort of situation is the people who give the equity capital demand a great proportion of ownership and one of the areas that we have found to be quite useful is housing equity capital. I don't know of any community groups or minority groups who have applied as yet. It is the use of the pack shelter equity sale where for a period of time you can give at the time when there are losses, you give ownership to high tax bracket investors so they can take the losses unto their personal income tax and you form a limited partnership.

You can generate a great deal of, amount of loss in Cable because you are allowed to take eight year double declining balance depreciation plus; that is a tax credit and the cable field would be about a four percent investment tax credit so you are generating a lot of paper losses. Some cash loss, too, but primarily paper loss due to the rather aggressive depreciation currently allowed in Cable. The investment tax credit is a direct reduction off of income. Almost every hundred dollars of Cable that is cable equipment that is invested four dollars comes directly off the tax bill of the high bracket tax investor who has put up the initial equity. And then the advantage of this kind of system from the point of view of start-up situations where you want to then retain the majority of ownership is that there are provisions in these kinds of contracts to reduce ownership to a small proportion and this again is negotiable.

And here again you have to be very careful with your tax lay-out. You could reduce it from ninety-nine per cent when there have been losses to thirty, twenty or possible ten per cent after the situation becomes profitable. The problem here is that the IRS wants to consider this as a real investment and to the extent that it looks like the investors came in for tax shelter purposes alone, they will disallow the tax benefits (laughter) so that you have to be very careful and work with a tax attorney all the way in order to structure the deal so that it will not be considered an evasion of taxes. But at the same time, you get the advantage of that initial capital without giving up ultimately a great proportion of ownership.

MR. TATE: Mel -

MR. EPSTEIN: Coming back on what you just said, I think we should make people aware that once that tax loss is taken, (rest of text lost because of static on tape.)

A PARTICIPANT: Charley, on your question of participation on all levels and I think it is a very valid one in terms of getting in on at the beginning of the think process, you defined a problem. I want to know what is the cause - is it .... of power to be by default of minority communities or by lack of appropriate personnel?

That is one question and the other to Bill is that given an ideal like situation how you would like to see it done is what I don't understand - assuming that there is no other hang up ....how would you propose it be done? That is the two questions I have.

MR. WRIGHT: I don't even think in those terms because that is non-reality. I mean I don't waste my time going into an exercise about you know utopia in a situation that does not exist.

PREVIOUS PARTICIPANT: ....paranoid situation where you never get a positive solution.

MR. WRIGHT: Well, I am not paranoid in that instance but I don't think that about anything as hairbrained as that there are no obstacles and what have you because I have been fighting the broadcast industry for a number of years and America as a whole. So it is not going to go away tomorrow so if I get into that situation why create an ideal situation when it is never going to exist?

A PARTICIPANT: (participant does not use microphone-most of text lost) - just asking a question from the problem solving point of view, ...what is your idealized solution - let us look at what is realistic, how can we.............

A PANELIST: Well, you know I think Bill's answer is really the answer. What we know is that in every city there is going to be an approach. And if people in that city are going to have to decide what their approach is going to be and it is going to be based on political and economic and other realities in that city and you know we can only relate to that process as we are asked to and invited to. And, you know we can try to contribute our time and information or other kinds of resources that we can arrange to provide to them and I think therein lies the strength of the potential. The fact is that across the country there is a tremendous capability not only with the population density - there is tremendous organizational capability as they say and what we see may - I guess this panel does become a frustrated process.

Because I don't really know; what is there to say except that we want to develop? Nobody is going to give you any resources. Cable is one resource that we are looking at, one area; there are a lot of other things. But there is no model and there isn't going to be any minority model. There is going to be a lot of different forms of black, Chicano, Puerto Rican, native American engagement. Why? Because we have no choice; we absolutely have no choice. It is the only way we can address the basic issues we have been dealing with for a long time and the issues are very straightforward; survival, liberation, development.

A PARTICIPANT: A piece of the pie may be better than none. Could you give me some; you mentioned MITRE, you mentioned Rand, you mentioned some other organizations........ to your knowledge has ~~anybody in the~~ black community applied....... specific position with these organizations and were turned down?

A PANELIST: We are not going that route anymore. What we are talking about is this. Okay, that is going to be done and we have a man here from the Civil Rights Commission and he is going to take care of it for us - (laughter)

A PARTICIPANT: As he always has (laughter) -

PREVIOUS PANELIST: No - no - I am sorry about that, Everett. (laughter) I think we are definitely beyond that point and I think the country is also beyond that point. I don't have to tell you what is going about the whole issue of voters today in the country. Now the issue that we are raising is that if experts are going to be created in cable technology and that is what is happening. Bill spoke to that. Experts are being created and they are being created with public money. I see standing in the doorway is another example not to personalize but I think it illustrates the issue we are raising which I think is serious public policy issue that there are organizations that are receiving tremendous amounts of public tax money that are being just - you know using that money to create institutional bases - and that, you know, we have to be concerned about getting a share of those resources to create institutions not to give a job with The MITRE Corporation or with the Rand Corporation or what have you.

I think that that is an issue that they have got to deal with. Right? I think that we are really beyond that. That is the Federal government is going to spend money to develop knowledge about how to deliver public services to communities, to our communities using telecommunications systems. Then we have to be involved in that. We have to have some of that money. Now you say what is the problem? The problem is I guess there is not enough pressure being created. It isn't the problem that we don't understand what is going down; it is not the problem that we have not approached those agencies, foundations; it is not the problem that they are not aware of the implications of telecommunications development.

MR. WRIGHT: Okay, here is another part to that. You mentioned Francis standing the back of the room and you mentioned Johnson. You mentioned a whole host of people. Okay, now what I want you to do is take a little survey of the last ten conferences on Cable television anywhere in this country - okay and then you take a look at the names of the people who are asked to participate in that. So it is obvious that Rand, MITRE, Sloane, Ford, all of them are aware of the blacks who are involved, one way or another in Cable. Now, with all their liberal rhetoric, why, with their ability to get money - and it is proven, why haven't they said we are going to raise ten million, we are going to let you get the answers to the questions that they keep fooling around with. Rand keeps studying black communities, you know -

A PARTICIPANT: Have you requested such a setup?

MR. WRIGHT: Oh man, I got applications into foundations up to you know and you know exactly what I want to say. And that is why I said why don't you get some of those bullshit foundations in here, Ford, Rockefeller, all of them included? And let them tell me one black organization that they have said here is some money for research and development and telecommunications. Because, I am up at MIT now. Now that is something that is unbelievalbe. In the beginning, you know, every time I walked through those halls and somebody says Professor, I start looking around. Who in the hell is he talking about - (Break?) "not in here."

What I am really getting down to is in terms of applying, they have articulated but they haven't given one dollar for research and development to any black institution. I am not talking about, I don't want to join MITRE. What the hell do I want to join MITRE for? They must want to pick me apart, you know, the spook who sat by the door is gone, just going to sit there for high visibility and stuff. If you think I am competent enough and if you think I am knowledgeable enough to participate in your panel, then there is no question about the other end of it. Why don't you put the resources in my hands? Don't give me all them guidelines. Because we have got enough Moynahans and Kahns who are black experts. Let some blacks become their own experts and feed those elements into your systems.

A PARTICIPANT: This gentleman is obviously from some foreign climate because he doesn't seem to understand that American society has been structured to keep you out as long as you are non-white.

A PARTICIPANT: I am not from a foreign planet. I operate as an individual. I am from China and..............(HEATED WORDS EXCHANGED - UNDECIPHERABLE)

MR. WRIGHT: All that kind of stuff. But what you got to realize and what these gentlemen have been trying to tell you and you haven't been able to get that through your head and that is a situation that always finds you on the outside looking in. You have the capability and the know-how to get your thing together and to do it. But you cannot really get those people to get it through their thick heads that on the inside, that you can do it on your own. And why should you have to join the MITRE, the Rand, and all the rest of these?

A PARTICIPANT: Because I think you are missing one very important point. By the way I am just here to participate not to criticize or to take one side or the other.

PREVIOUS SPEAKER: Don't apologize; we are all here to do the same thing.

PREVIOUS PARTICIPANT: Fine, what I am saying is that as far as I am concerned -

(General discussion)

Coming back on the issue, all those things you said, I was just trying to identify the problem. The problem is ligation. Fine, I am slow and I got it; ligation is finally established. As far as I am concerned, okay, you take all avenues, whether you join MITRE, whether you join Rand, I don't give a damn what you do. But the more resources, the more things you can get in there eventually, long term, short term, are going to benefit you. I can give you a very simple foreign example -

MR. TATE: Well let me really have to - no - no - no - that - you know we are aware of all of that - okay. And we don't need social workers; we need resources, we know that. We know it and I think that the issue is, you know, very clear and very sharply drawn and in the country to talk about how the pie has already been carved up and how every sector in a white economy is moving to take as much of that pie as they can get and that is in fact what is happening. We know it is happening. You know I think this whole exercise becomes frustrating for most of us because we know what we have to be doing and I am really - I don't really have - there is really nothing to say effectively - there is - it is hard to have a dialogue about what we ought to be doing because we have to do it and we know what it is.

A PANELIST: Let me show you the different avenue. When you talk about the different ways of approach, first of all when they started developing the cable rules and regulations at the Commission, okay, I said my comments there. The next step was they had Open House. I appeared on the Open House. In another instance, they were passing bills up on the Hill, so I go into the Legislative Branch. I participate with the Legislative Branch on another avenue when the largest broadcasting transaction in the history of this country came about between Triangle Broadcasting and Capital City's Broadcasting. I participated in that so much that the negotiations ended up bringing one million dollars to minority communities to do independent production on six hours of prime time television. O.K., participate in that level.

Now down to the community level. In terms of organizing technical assistance to community groups without any money, no high salaries or nothing, no costs to community groups, I participated on that level. Went over to Europe and took a look at the pirate ships that operate in international waters to find out where are my alternatives if none of this works. You know, how can I get a message to Black America through the use of an .... some black folks have got yachts and things. I will take one of them out off the coast of South Carolina and the Hell with the Commission and everything else.

I have explored all of those avenues, the legitimate and those are really operating legitimately in European waters. I looked at them. I have looked at how I could build a television station and start broadcasting on Channel 6 and we all know there ain't no Channel 6 in Washington. I am not just looking at, you know joining MITRE or something.

Why do you think I would be up at MIT? Now do you think I would be up there at MIT to get some money? They are paying me thirty-eight hundred dollars for one semester and it costs me seventy-eight dollars round trip and if any of my students was to get to me, I have got to spend the night in a hotel or shack with somebody, O.K.? How much do I end up coming out of there with? I am up there because I know what that institution is all about. I am up there seeing what else I can get from that institution so now, you know, I don't know of any other routes that I can go. I am trying all of them. So we are aware of placing people in various positions. That is why you have got some blacks in the Navy. That is why you have got a black commissioner, because of three years of hard damned work of beating the administration over the head. But you know, we all know those. Like he said, we don't need social workers, we need resources. If MITRE and Ford and all of these commissions are serious about what they are talking about, just call on the same folks that they have been calling on so that they will have their one black or two blacks on every Cable Conference.

Call up and say, all right, we are going to give you fifteen to twenty million dollars to do some research and development to expand over a five-year period or so. Then anytime you want some answers, then you just come to this little group that got this money and we will give you the answers but we will hire the best black talent in the world and it will be authoritative and it won't be a Moynahan concept or a Kahn concept. Just so there is no distinction, so there will be no mistake about who I am talking about, I am not talking about Irving Kahn, you know, the gentlemen who was on the panel the other day who articulated so well the black perspective and had so much knowledge of the black community - yeah -

MR. CALDERON: Let me add my frustrations in the production field, because we have gone perhaps one plateau higher than some other areas. We produced a one-hour television special which hasn't been shown on TV. It is just out and called Viva. Because we felt, of course, that we needed the Chicanos, the Puerto Ricanios and the Colanoes to get in the production to produce the things that are not produced in this country because most Spanish language programs come from Mexico. But we put together a Spanish production of our own. We ourselves, put up ten thousand dollars.........and we went out and got a business to sponsor to put up the funds for twenty seven thousand dollars to produce this show.

At this point we didn't know any of the stars that were going to be in it and we got involved with some people with the National Academy of Arts and Sciences and with some people with the National Academy of Arts and Sciences and with the Committee of Human Relations....Department of Justice and we got help. Most of it was good and we put this thing together so we have accomplished it. Recently I took a trip to Chicago and to New York and brought this film as a sample of the things that we would like to do for the various Latinos in this country. Well it is a very frustrating thing because here, as Bill said earlier, these guys are making money off of us yet they won't support something that we are trying to do on our own for our own people. Because as long as I recall, you know, my mother used Pet Milk, all these products, all these things that we have helped them to make money on, and yet we come up with our own ideas, with our own concepts and with our own resources to do something but yet the financial backing just isn't there.

They refuse to admit that there are fifty million Latinos in this country with billions of dollars of consumer power. They will not sponsor a show for these particular people. We have had to change the concept of the first, the show called Viva and have proposed something that they liked which may be fifty per cent of what we want to do. The other fifty per cent cannot and we already have a sample, a pilot for this, and yet we still don't get the financial support that we feel we should get.

A PARTICIPANT: (Participant does not use microphone - most of text lost) - put up that twenty seven thousand dollars?

MR. CALDERON: It is a brewery -

A PARTICIPANT: ....owned

MR. CALDERON: Of course not. There is no brewery owned by -

GENERAL ANSWER: Oh, yes, there is -

MR. CALDERON: I mean in Southwest -

A PARTICIPANT: (participant does not use microphone - most of text lost) - big fancy words I think.....................so this I believe is one of the trick problems we don't have the qualified technical people.

(General discussion)

A PANELIST: Apparently you didn't hear my presentation at all, at all. Let me repeat that thing again. Historically in this country, money has bought all the technology that you could hope to buy. A few years ago nobody had been to the moon. Nobody had no expertise in going to the moon but when the.......get the proper perspective, somebody will own the moon. And I just want you to think about that.

(General discussion)

MR. TATE: Just let me - you have to be careful how you define the problem and until you have resources in hand and you are looking for people to do scientific research. Don't tell me that they don't already exist. You see, I know that I could put together the most dynamic team of researchers given the - I know where they are - don't tell me there is a shortage of managers for, say a Cable system.

(General discussion)

A PANELIST: What I am telling you is that you don't understand the dimensions of the supply from a minority standpoint. So before you start -

(There is a portion lost because the operator failed to start the second magnetic tape when this magnetic tape ran out - fourth tape starts as follows:

SAME PANELIST: I am saying that is where you began okay, if we had to operate fifty cable systems. And then let us talk about the management function, the kind of technicians that are required, okay, and let us then look at the range of professional skills and occupations that we can draw people from. And then let us talk about whether or not we have enough people, okay? This had nothing to do with the supply-demand equation for Cable industry as an industry.

A PARTICIPANT: (Participant does not use microphone - text lost)

PREVIOUS PANELIST: How many black electrical engineers have you run into?

(Answer undecipherable)

SAME PANELIST: Only one electrical engineer? Well, you have had a very sheltered life.

(General discussion)

A PANELIST: Charles, Bill mentioned one point which again bothered me.............why do you need a total monolithicstructure as long as you have control? As long as you have the resources that come in, you know, you can use white, yellow, any kind of technical management expertise as long as they are under your control. After you have established that first step ....when Bill mentioned he wants a you know the best black expert, the best -

A PANELIST: That is not what he said. You are misquoting him. He said that he could organize that kind of team-

PREVIOUS PARTICIPANT: O.K., but I am saying perhaps it would be more palatable to the white establishment to have whatever the white establishment thinks is a qualified thing and have black leadership, at least from the.........I don't know -

A PANELIST: I think there is a technical problem here because what we are saying and what the last two speakers have referred to -

A PANELIST: There is nothing wrong with the system. It is going out wrong or something -

(General Discussion)

MR. WRIGHT: ....when you tell me that you went out and only found one engineer that tells me something, you know, of the awareness of the problem and I understand that you are working at the Commission (laughter) - and that mentality runs throughout the Commission, you understand -

(Undecipherable comment)

MR. WRIGHT: Facts and experience tell me that if I would have had the resources and as my lawyers advised me, I was going to file suit against the Commission for that same jive argument we can't find them. Our university is turning out engineers. They are turning out lawyers, you know, every year but then you can't find them. You know and I know all of that. Every industry in the country has used that same argument - when you say there is a shortage of trained people in Cable, white and black -

A PARTICIPANT: That is right and what I suggested a while ago -

(General discussion) (between participants)

A PANELIST: I would first like to comment on this thing that money will buy anything and that particularly is an American kind of concept but there are some things that money won't buy. And I think we have to concerned that it will not buy you the development of human capital. It is very critical for the overall development of your people and of your community. There is a point at which you don't want to buy .... talent because you want to develop your own people. So I say whether you approach that from the standpoint of political theory or economic theory, there is a point at which the cost is too high because the cost is that you retard human development in important sectors of your own community so that you constantly have to depend more and more and more on expenses. And that also takes in the impact on your total economic structure.

So that if we are talking about development which is what we are talking about then I would hope that in communities where we are getting involved in Cable or whatever, that we would first do research to find people who already possess the kinds of skills it takes to do the task. There is.......... cable system that doesn't define the dimensions of the problem at all. What the Hell does the manager of a cable system do? Then, there are other people who have experience in doing thos kinds of things - for example,..... (three voices speaking at once - undecipherable) I really this training not....... the validity of your assessment of what king od employment opportunities and I think we are loaded with manpower training programs in the Center and there are no jobs at the end of the cycle.

Now, I would hate to see the whole public policy approach to black participation become training programs. I worry about that because that is not a priority. We are in training programs up to our ears. Our problem is that there are no jobs. You know, we can send people to do anything. I think we have to be careful how the program gets defined -

(General discussion - many participants offering opinions at the same time)

A PANELIST: Let me lay out an alternative for you that we are doing. I would like to take all of our professionally trained talent and program production, okay, and use it .... an unending source or raw material. Now we have to figure out how we package, distribute and market programming to all fields with that talent that already exists and then began to bring other people into that process who need jobs.

A PANELIST: There is a factor that I think is not being expressed here that you work as a minority for a minority - there is something different -

A PANELIST: Well, the problem, you see, the problem with what you are saying is that your approach to our problems are from a traditional white position, okay?

(General discussion.)

A PARTICIPANT: (participant does not use microphone - text is lost)

A PANELIST: We understand what you said about job opportunity but that you don't develop, you never get a development strategy - when you consistently tell people that they are not prepared to do anything. They first have to be trained and that is what this country has been telling us ever since you know slavery has been ended. We were prepared for that. We didn't have to be trained.

(There seems to be a discussion between members of the panel in the background which tends to cover up the voice of the speaker)...........refuses to give us any resources and we..........that - that is what the issue is. That really is what the issue is and no intention of sharing the resources - they are not giving us any control over it.

A PANELIST: In terms of resources, I would like to have the session turned back towards financing and get some more details about some more of the problems or some of the successes in, for instance, arranging long term private financing. I would like to hear Ed Loyd or Richard Austin. You know the long terms loans from insurance companies and banks that are going to be needed, what kind of structures -

MR. TATE: I think that would be interesting and maybe there are people who are engaged with working with community groups who would like to share in that conversation. I am not sure. Well, those people who have to get the bus and the bus is going at 12:00 and it is two minutes to 12:00 but I think I would not like to end this on a note of total frustration because there are perhaps people out here and in this room who would like, who really want to work with community groups to develop projects. And you know maybe those people who have that interest, I don't know whether this room is pre-empted for something else this afternoon but at least we could meet here and find a place for the people who want to talk about the civic program development, to sit down and talk and include the financing and the possible financing.

A PARTICIPANT: There are a lot of resources here in terms of structuring of real deals and I would like us to play around with that. I think that would be -

MR. TATE: O.K., thank you very much.